US Army Corps
of Engineers
Alaska District

Public Notice of Application for Permit

Regulatory Branch (1145b)
Post Office Box 6898
Elmendorf AFB, Alaska 99506-0898

PUBLIC NOTICE DATE: 15 August 2005

EXPIRATION DATE: 15 September 2005

REFERENCE NUMBER: POA-2005-1243

WATERWAY NUMBER: Simpson Lagoon

Interested parties are hereby notified that an application has been received for a Department of the Army permit for certain work in waters of the United States as described below and shown on the attached plans.

APPLICANT: Kerr-McGee Oil & Gas Corporation, Post Office Box 91497, Anchorage, AK 99509-1497. The Kerr-McGee contact is Ms. Adele Hartrick (281) 673-6315 and the applicant's agent is Mr. Bob Britch (907) 243-7716.

LOCATION: The onshore pad would be located at Oliktok Point, section 5, T. 13 N., R. 9 E., Umiat Meridian, Latitude 70.5098°N, Longitude 149.8651°W; the west production pad island would be located at Latitude 70.5482°N, Longitude 149.9414°W; the central production pad island would be located at Latitude 70.5583°N, Longitude 149.8434°W; and the east production pad island would be located at Latitude 70.5683°N, Longitude 149.7198°W. The three islands would be located just inshore of Spy and Leavitt islands. Mine Site E is located approximately 4.5 miles southeast of Oliktok Point at section 24, T. 13 N., R. 9 E., Latitude 70.4645°N, Longitude 150.7039°W.

WORK: The applicant proposes to place up to 952,000 cubic yards (cy) of gravel fill, 319,000 cy seafloor sediments, and 1,417,600 cy of overburden (OB) into 183.3 acres of waters of the U.S., to bury pipelines within the seabed of the Beaufort Sea, a navigable waterway, and construct the Nikaitchuq Development Project. The project would include: 3 offshore islands, 1 onshore pad, pipelines from the islands to shore buried below the seabed, above-ground pipelines from the shoreline pad to tie-in locations on existing pipelines, a metering pad, and placement of overburden into open cells at the mine site for site rehabilitation.

The applicant's plans include an option for burial of the onshore pipelines within a gravel-fill road if permission to use existing pipeline supports (adjacent to the road) can not be obtained; three pipeline tie-in locations are listed in the table below, with the volume of fill required to widen the existing Oliktok access road for pipeline burial to each tie-in location. The offshore pipelines would be buried in trenches excavated in the seafloor, with all the excavated material placed back into the trench to cover the pipelines.

The proposed mining and mine site rehabilitation plans include work required for both this project of Kerr-McGee's and another project proposed by Pioneer Natural Resources Alaska, Inc. The volumes of overburden material moved at Mine Site E,

and the footprints of affected areas, as shown below and in the attached plans, are for both projects. Kerr-McGee would remove almost 500,000 cy of gravel for the first year of work (Oliktok Pad and the western production island) from Cell 4, and Pioneer would remove 400,000 to 500,000 cy of gravel for their project from Cell 4. Kerr-McGee's later construction of the central and eastern production islands would require the material from Cell 4A.

Overburden from Cell 4 would be placed into the existing Cell 3 to create islands and shallow water habitat. When Cell 4A is opened, the overburden pile (placed during opening of Cell 3) at this location would be moved into the depleted Cell 4, along with the natural overburden overlying the Cell 4A gravel. At the end of mining, Cell 4A would remain as deep open water, while Cell 4 would be filled to approximately ground level.

	Fill area	Fill volume	Excavated volume
Islands (3)	36 acres	720,000cy	NA
Oliktok pad	12 acres	230,000cy	NA
Buried pipelines (seafloor sediments)	75.1 acres	319,000cy	319,000cy
Onshore pipelines			
VSM option	0.3 acres	2,000cy	NA
Buried option (DS 3R)	1.5 acres	14,000cy	NA
Buried option (18"KPL)	17.3 acres	166,000cy	NA
Buried option (24" KPL)	20.9 acres	201,000cy	NA
Mine Site E			
Cell 3 (existing pit)	28 acres	416,000cy(OB)	NA
Thermal barrier berms	0.6 acres	1,600cy	NA
Cell 4	20.2 acres	1,000,000cy(OB)	416,000cy(OB) 472,000cy gravel
Cell 4A	17.4 acres	NA	1,000,000cy(OB) 480,000cy gravel
Total mining	38.2 acres	1,417,600cy	2,368,000cy
Total project	**183.3 acres**	**952,000 cy gravel** **1,417,600 cy OB (at mine site)**	

PURPOSE: The purpose of the proposed work is to recover oil from offshore formations and transport and sell sales quality crude oil to U.S. and world markets.

ADDITIONAL INFORMATION: During the first year of construction (proposed for winter 2005-2006), the Oliktok production pad would be constructed. The western island and pipeline would be constructed in the second winter, while the central and eastern islands are expected to be constructed after the second winter, if at all. The target reservoirs and estimated maximum production from each site are (bbl=barrels):

Location	Formation	Estimated Peak Production
Oliktok	Schrader Bluff	15,000 bbl/day
West island	Schrader Bluff and Sag	20,000 bbl/day
Central island	Schrader Bluff and Sag	15,000 bbl/day
East island	Sag	10,000 bbl/day

It is believed that the Schrader Bluff wells will not flow at the surface without pressure maintenance, while the Sag wells will flow at a maximum rate of 1,000 bbl/day. Artificial lift will be used for all production wells in these formations.

The produced fluids would be transported to the Oliktok pad for processing through a three-phase (oil, gas and water) pipeline. This pipeline would be contained within an outer pipeline. Also buried within the same trench would be a diesel (double pipe), fuel gas, injection gas, and injection water pipelines from shore to the islands, and power and communication cables.

Offshore production islands would be manned during drilling, with housing provided either onshore or onsite. Transportation would be by ice road, boat, hovercraft, and/or helicopter. Drilling would require up to four years to complete. Each site would have a Class I non-hazardous waste underground injection (UIC) well and grind and inject equipment for disposal of drilling wastes. A barge may be moored at the island dock to store drilling supplies and equipment. Once drilling is completed, the islands would be unmanned and monitored remotely from the Oliktok production pad.

MITIGATION: As a result of early project planning, the applicant has incorporated into the proposed project the following mitigation efforts to reduce impacts to the aquatic environment: Production islands would be constructed inside the barrier islands, but not on them, to avoid ice impacts in deeper water and avoid human subsistence and waterfowl use of the islands; the project would have no discharge; the proposal includes slotting ice roads in the spring to facilitate ice breakup; the existing overburden pile at Cell 4A of the minesite would be used for rehabilitation, reducing the area of affected wetlands; the production facilities on the offshore islands would be operated remotely.

WATER QUALITY CERTIFICATION: A permit for the described work will not be issued until a certification or waiver of certification as required under Section 401 of the Clean Water Act (Public Law 95-217), has been received from the Alaska Department of Environmental Conservation.

COASTAL ZONE MANAGEMENT ACT CERTIFICATION: Section 307(c)(3) of the Coastal Zone, Management Act of 1972, as amended by 16 U.S.C. 1456(c)(3), requires the applicant to certify that the described activity affecting land or water uses in the Coastal Zone complies with the Alaska Coastal Management Program. A permit will not be issued until the Office of Project Management and Permitting, Department of Natural Resources has concurred with the applicant's certification.

PUBLIC HEARING: Any person may request, in writing, within the comment period specified in this notice, that a public hearing be held to consider this application. Requests for public hearings shall state, with particularity, reasons for holding a public hearing.

CULTURAL RESOURCES: The latest published version of the Alaska Heritage Resources Survey (AHRS) has been consulted for the presence or absence of historic properties, including those listed in or eligible for inclusion in the National Register of Historic Places. There are six sites located on the barrier islands near the project (XBP-00035, XBP-00011, XBP-00012, XBP-00030, XBP-00034, XBP-00013); all of these are at least one mile from the worksites. In addition, there are two unevaluated properties in the vicinity of the minesite. These have been designated Ugnuravik Pingo (XBP-00038) and Thetis Mound (XBP-00037). Because the properties have been determined to be outside of the project area, no further

action is required. Consultation of the AHRS constitutes the extent of cultural resource investigations by the District Engineer at this time. This application is being coordinated with SHPO. Any comments SHPO may have concerning presently unknown archeological or historic data that may be lost or destroyed by work under the requested permit will be considered in our final assessment of the described work.

TRIBAL CONSULTATION: The Alaska District fully supports tribal self-governance and government-to-government relations between the Federal government and Federally recognized Tribes. This notice invites participation by agencies, Tribes, and members of the public in the Federal decision-making process. In addition, Tribes with protected rights or resources that could be significantly affected by a proposed Federal action (e.g., a permit decision) have the right to consult with the Alaska District on a government-to-government basis. Views of each Tribe regarding protected rights and resources will be accorded due consideration in this process. This Public Notice serves as notification to the Tribes within the area potentially affected by the proposed work and invites their participation in the Federal decision-making process regarding the protected Tribal right or resource. Consultation may be initiated by the affected Tribe upon written request to the District Engineer during the public comment period.

ENDANGERED SPECIES: The project area is within the known or historic range of the spectacled and Steller's eiders, and the bowhead whale.

Preliminarily, the described activity will not affect threatened or endangered species, or their critical habitat designated as endangered or threatened, under the Endangered Species Act of 1973 (87 Stat. 844). This application is being coordinated with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service. Any comments they may have concerning endangered or threatened wildlife or plants or their critical habitat will be considered in our final assessment of the described work.

ESSENTIAL FISH HABITAT: The proposed work is being evaluated for possible effects to Essential Fish Habitat (EFH) pursuant to the Magnuson Stevens Fishery Conservation and Management Act of 1996 (MSFCMA), 16 U.S.C. et seq and associated federal regulations found at 50 CFR 600 Subpart K. The Alaska District includes areas of EFH as Fishery Management Plans. We have reviewed the January 20, 1999, North Pacific Fishery Management Council's Environmental Assessment to locate EFH area as identified by the National Marine Fisheries Service (NMFS).

We have determined that the described activity within the proposed area will not adversely affect EFH, including anadromous fish and federally managed fishery resources.

SPECIAL AREA DESIGNATION: The project is located within the Nikaitchuq Oil and Gas Unit, on land managed by the State of Alaska Department of Natural Resources.

EVALUATION: The decision whether to issue a permit will be based on an evaluation of the probable impacts including cumulative impacts of the proposed activity and its intended use on the public interest. Evaluation of the probable impacts, which the proposed activity may have on the public interest, requires a careful weighing of all the factors that become relevant in each particular case. The benefits, which reasonably may be expected to accrue from the proposal, must be balanced against its reasonably foreseeable detriments. The decision whether to authorize a proposal, and if so, the conditions under which it will be allowed to occur, are therefore determined by the outcome of the general balancing process. That decision should reflect the national concern for both protection and utilization of important resources. All factors, which may be relevant to the proposal, must be considered including the cumulative effects thereof. Among those are conservation, economics, aesthetics, general environmental concerns, wetlands, cultural values, fish and wildlife values, flood hazards, floodplain

values, land use, navigation, shore erosion and accretion, recreation, water supply and conservation, water quality, energy needs, safety, food and fiber production, mineral needs, considerations of property ownership, and, in general, the needs and welfare of the people. For activities involving 404 discharges, a permit will be denied if the discharge that would be authorized by such permit would not comply with the Environmental Protection Agency's 404(b)(1) guidelines. Subject to the preceding sentence and any other applicable guidelines or criteria (see Sections 320.2 and 320.3), a permit will be granted unless the District Engineer determines that it would be contrary to the public interest.

The Corps of Engineers is soliciting comments from the public; Federal, State, and local agencies and officials; Indian Tribes; and other interested parties in order to consider and evaluate the impacts of this proposed activity. Any comments received will be considered by the Corps of Engineers to determine whether to issue, modify, condition or deny a permit for this proposal. To make this decision, comments are used to assess impacts on endangered species, historic properties, water quality, general environmental effects, and the other public interest factors listed above. Comments are used in the preparation of an Environmental Assessment and/or an Environmental Impact Statement pursuant to the National Environmental Policy Act. Comments are also used to determine the need for a public hearing and to determine the overall public interest of the proposed activity.

Comments on the described work, with the reference number, should reach this office no later than the expiration date of this Public Notice to become part of the record and be considered in the decision. Please contact Ms. Terry Carpenter at (907) 753-2716, toll free from within Alaska at (800) 478-2712, or by email at Terry.A.Carpenter@poa02.usace.army.mil if further information is desired concerning this notice.

AUTHORITY: This permit will be issued or denied under the following authorities:

(X) Perform work in or affecting navigable waters of the United States - Section 10 Rivers and Harbors Act 1899 (33 U.S.C. 403).

(X) Discharge dredged or fill material into waters of the United States - Section 404 Clean Water Act (33 U.S.C. 1344). Therefore, our public interest review will consider the guidelines set forth under Section 404(b) of the Clean Water Act (40 CFR 230).

( ) Transport dredged material for the purpose of dumping it into ocean waters - Section 103 Marine Protection, Research, and Sanctuaries Act of 1972 (33 U.S.C. 1413). Therefore, our public interest review will consider the criteria established under authority of Section 102(a) of the Marine Protection, Research and Sanctuaries Act of 1972, as amended (40 CFR Parts 220 to 229), as appropriate.

A plan, Notice of Application for Certification of Consistency with the Alaska Coastal Management Program, and Notice of Application for State Water Quality Certification are attached to this Public Notice.

District Engineer
U.S. Army, Corps of Engineers

Attachments

FRANK H. MURKOWSKI,
GOVERNOR

STATE OF ALASKA

OFFICE OF THE GOVERNOR

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF PROJECT MANAGEMNT AND PERMITTING

ALASKA COASTAL ZONE MANAGEMENT
550 WEST 7TH AVENUE, SUITE 1660
ANCHORAGE, ALASKA 99501-3568

NOTICE OF APPLICATION
FOR
CERTIFICATION OF CONSISTENCY WITH THE
ALASKA COASTAL MANAGEMENT PROGRAM

Notice is hereby given that a request is being filed with the Office of Project Management and Permitting for a consistency determination, as provided in Section 307(c)(3) of the Coastal Zone Management Act of 1972, as amended [16 U.S.C. 1456(c)(3)], that the project described in the Corps of Engineers Public Notice No. **POA-2005-1243, Simpson Lagoon** will comply with the Alaska Coastal Management Program and that the project will be conducted in a manner consistent with that program.

The Office of Project Management and Permitting requests your comments, particularly on the proposed project's consistency with the affected local coastal district management program. For more information on the consistency review contact OPMP at (907) 269-7470 or (907) 465-3562, or visit the ACMP web site at http://www.gov.state.ak.us/gdc/Projects/projects.html.

Attachment 1

FRANK H. MURKOWSKI, GOVERNOR

STATE OF ALASKA

OFFICE OF THE GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF WATER
401 Certification Program
Non-Point Source Water Pollution Control Program

NOTICE OF APPLICATION
FOR
STATE WATER QUALITY CERTIFICATION

Any applicant for a federal license or permit to conduct an activity that might result in a discharge into navigable waters, in accordance with Section 401 of the Clean Water Act of 1977 (PL95-217), also must apply for and obtain certification from the Alaska Department of Environmental Conservation that the discharge will comply with the Clean Water Act, the Alaska Water Quality Standards, and other applicable State laws. By agreement between the U.S. Army Corps of Engineers and the Department of Environmental Conservation, application for a Department of the Army permit to discharge dredged or fill material into navigable waters under Section 404 of the Clean Water Act also may serve as application for State Water Quality Certification.

Notice is hereby given that the application for a Department of the Army Permit described in the Corps of Engineers' Public Notice No. **POA-2005-1243, Simpson Lagoon** State Water Quality Certification from the Department of Environmental Conservation.

After reviewing the application, the Department may certify that there is reasonable assurance that the activity, and any discharge that might result, will comply with the Clean Water Act, the Alaska Water Quality Standards, and other applicable State laws. The Department also may deny or waive certification.

Any person desiring to comment on the project with respect to Water Quality Certification may submit written comments within 30 days of the date of the Corps of Engineer's Public Notice to:

Department of Environmental Conservation
WQM/401 Certification
555 Cordova Street
Anchorage, Alaska 99501-2617
Telephone: (907) 269-6281
FAX: (907) 269-7508

Attachment 2

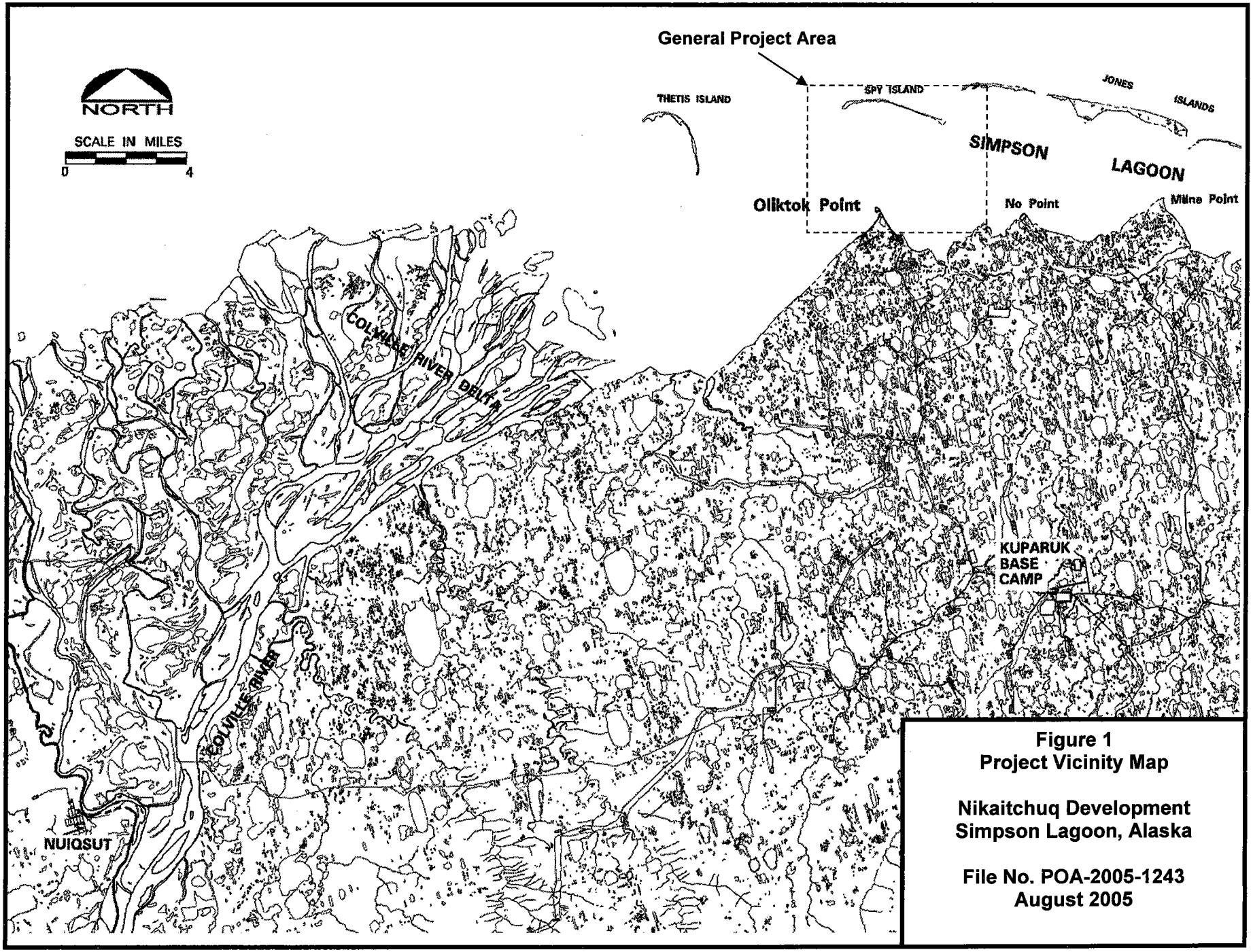

Figure 1
Project Vicinity Map

Nikaitchuq Development
Simpson Lagoon, Alaska

File No. POA-2005-1243
August 2005

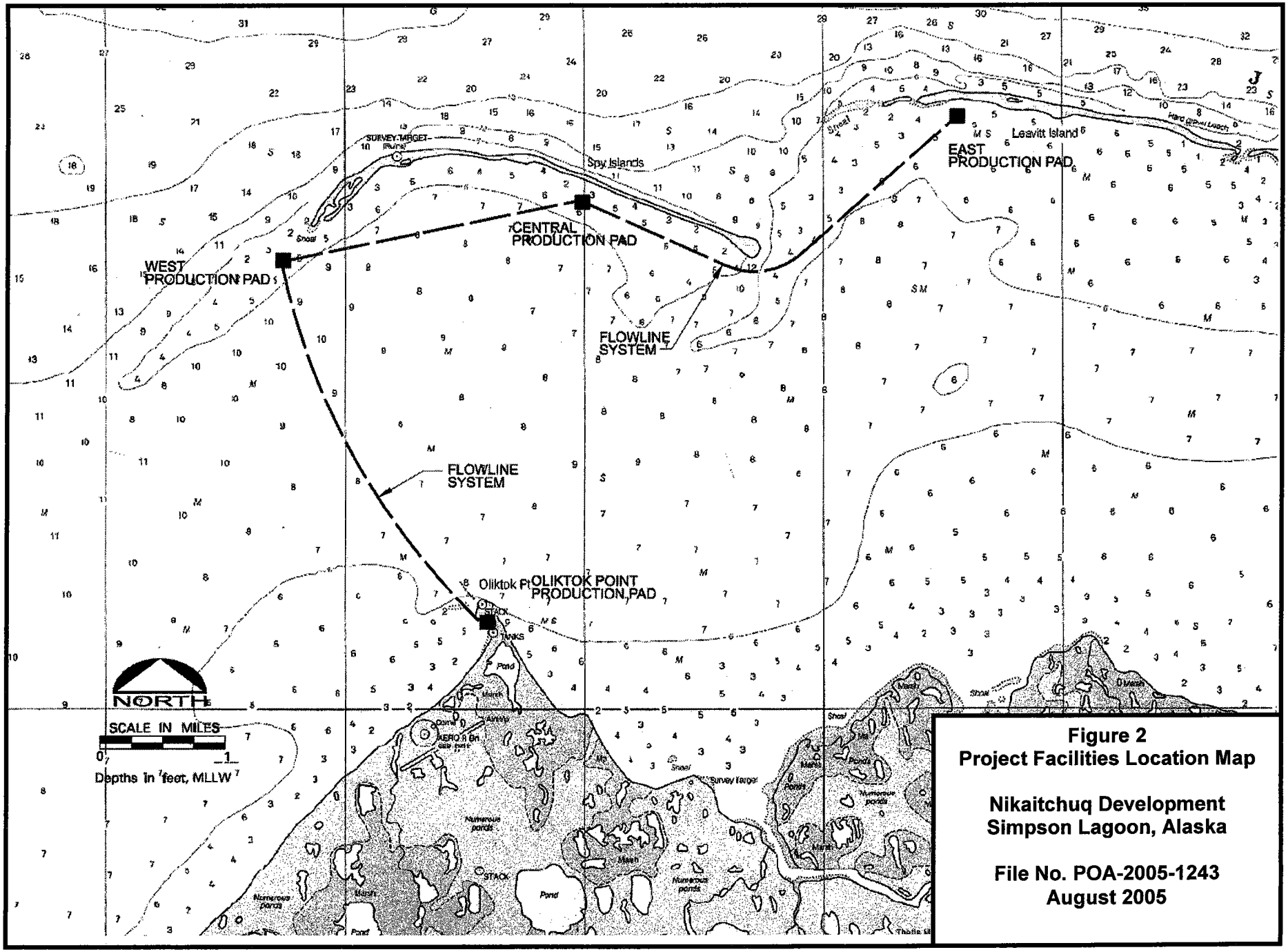

Figure 2
Project Facilities Location Map

Nikaitchuq Development
Simpson Lagoon, Alaska

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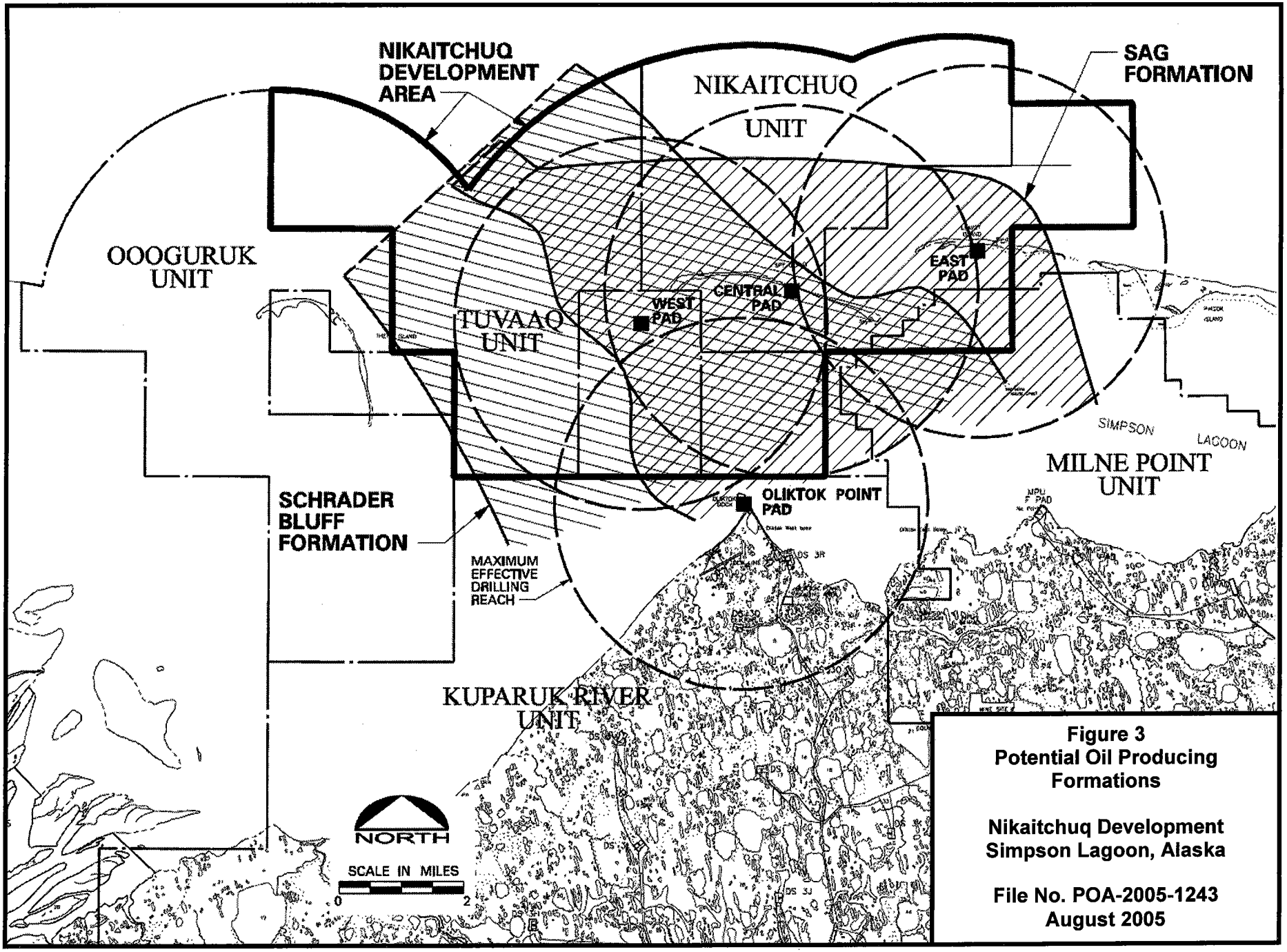

Figure 3
Potential Oil Producing Formations

Nikaitchuq Development
Simpson Lagoon, Alaska

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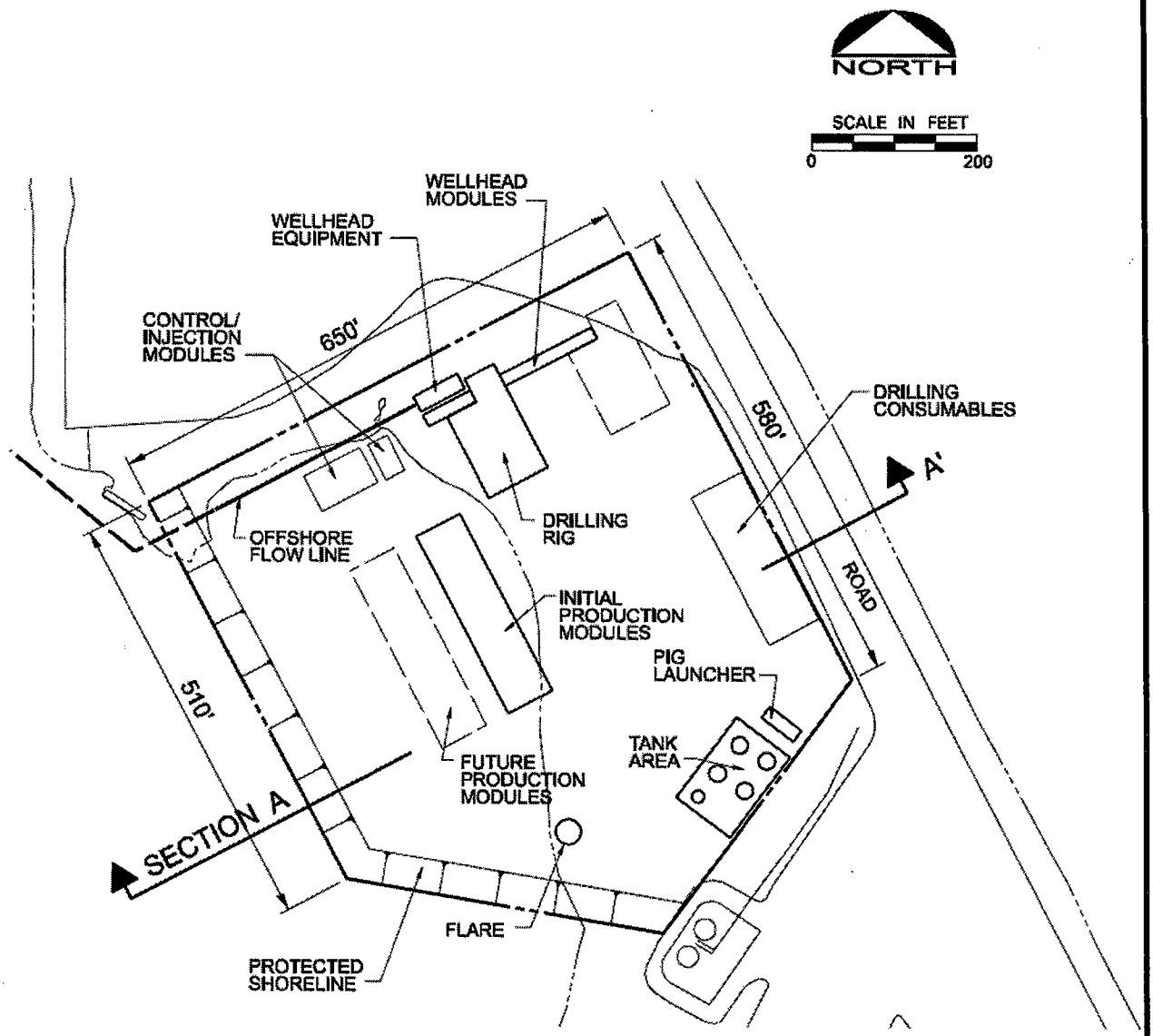


Figure 4
Configuration of the Oliktok Point Production Pad

Nikaitchuq Development
Simpson Lagoon, Alaska

File No. POA-2005-1243
August 2005

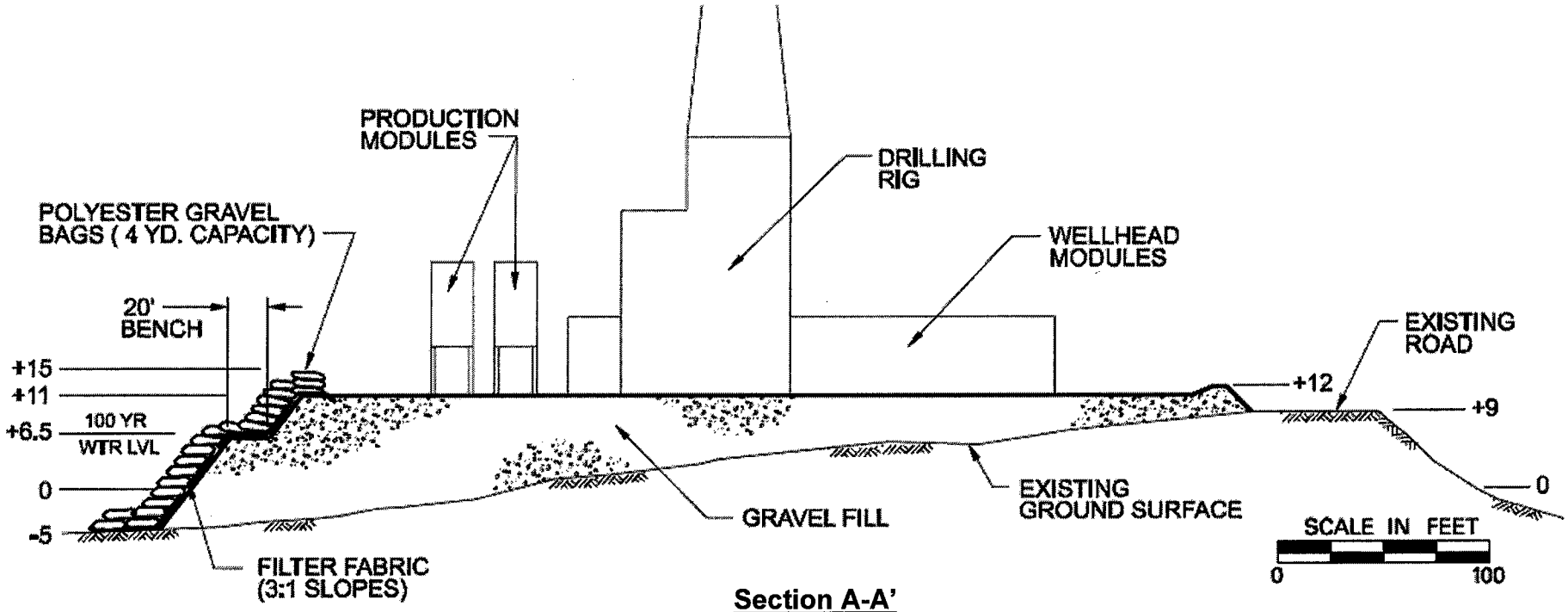


Figure 5
Oliktok Point Production Pad
Cross Section A-A'

Nikaitchuq Development
Simpson Lagoon, Alaska

File No. POA-2005-1243
August 2005

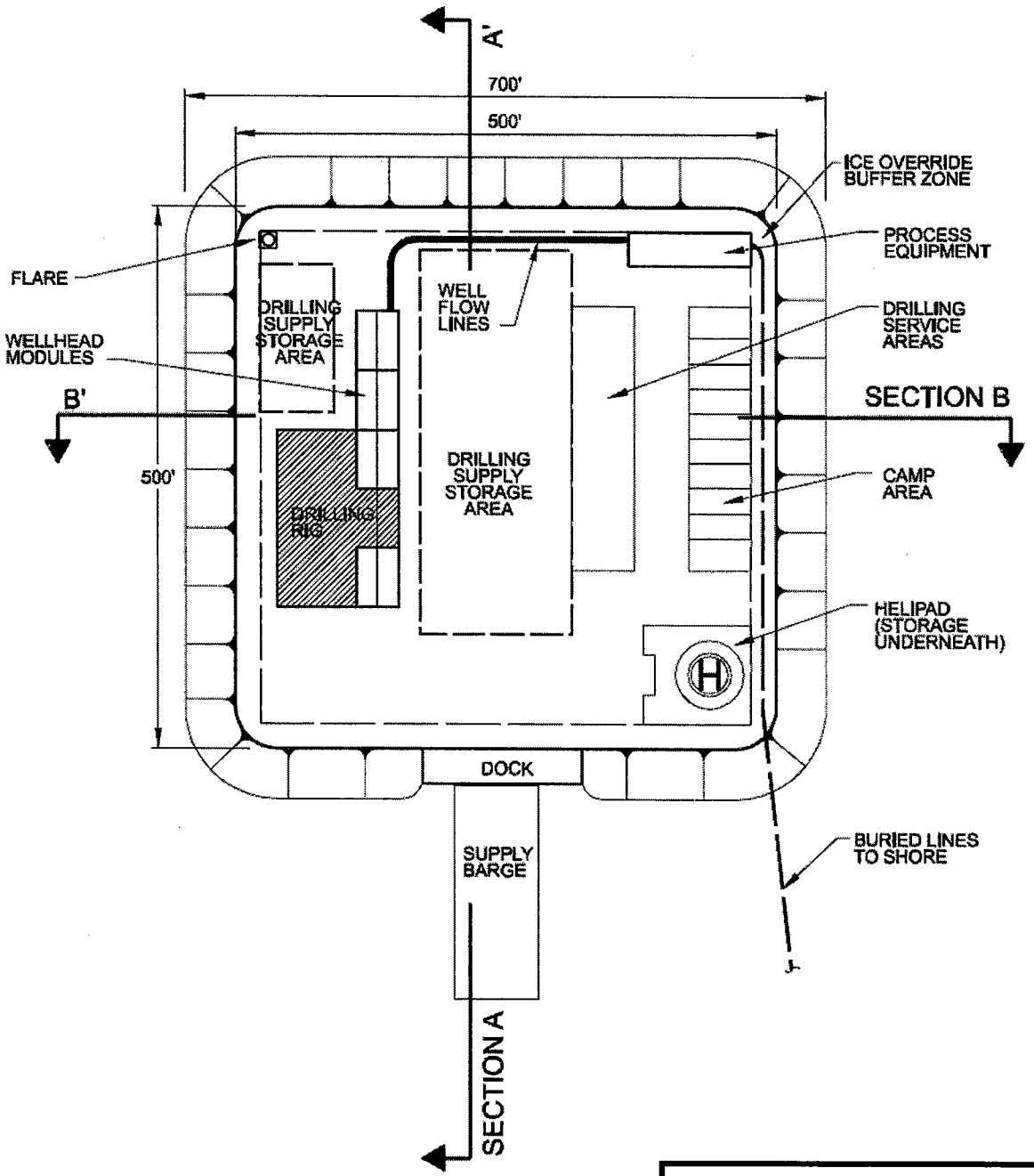
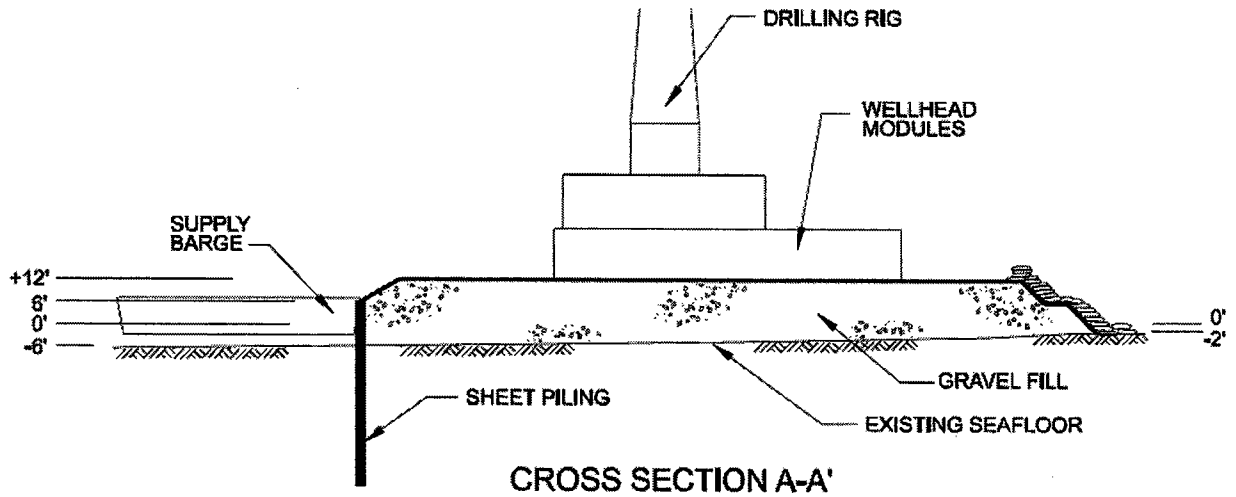


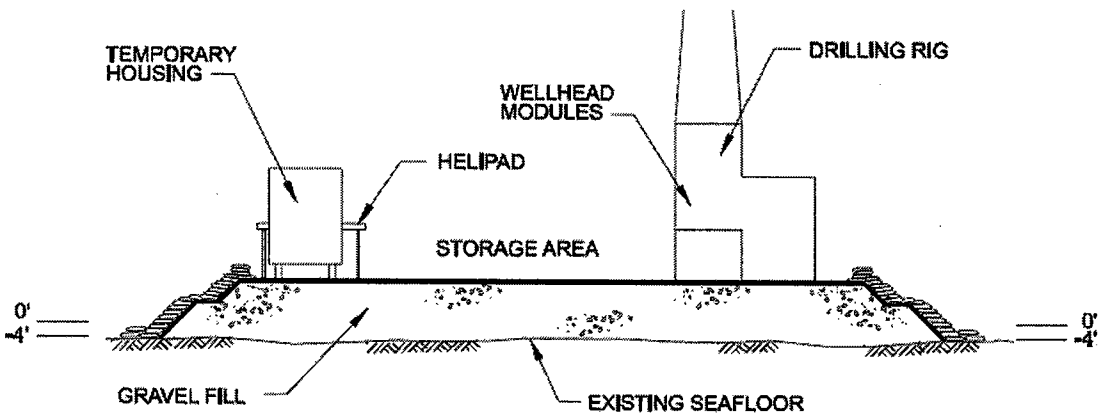
Figure 6
Configuration of an Offshore Production Pad

Nikaitchuq Development
Simpson Lagoon, Alaska

File No. POA-2005-1243
August 2005



CROSS SECTION A-A'



CROSS SECTION B-B'

Figure 7
Offshore Production Pad
Cross Sections

Nikaitchuq Development
Simpson Lagoon, Alaska

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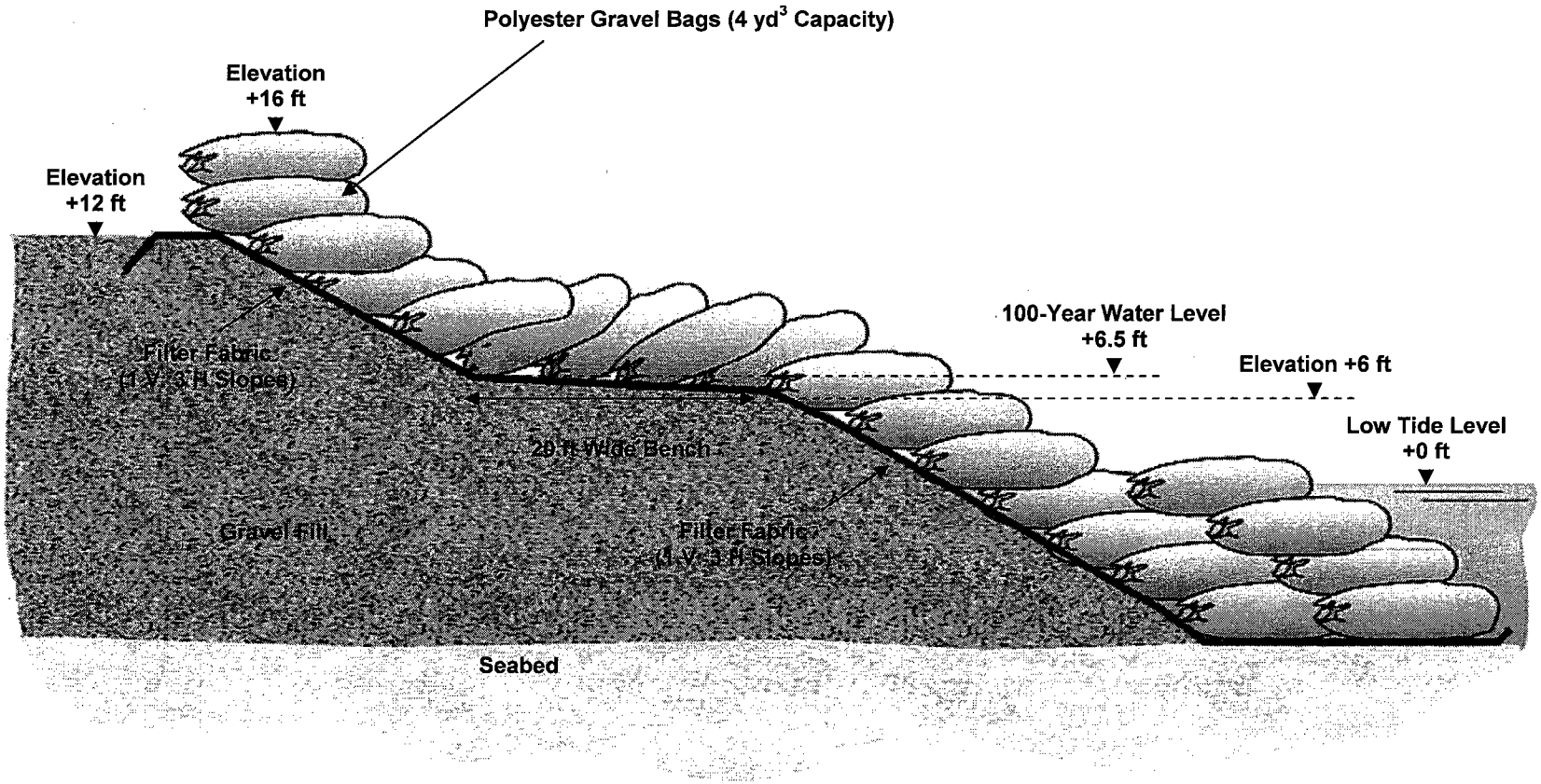

Figure 8
Typical Gravel Bag Slope Armor
Cross Section View

Nikaitchuq Development
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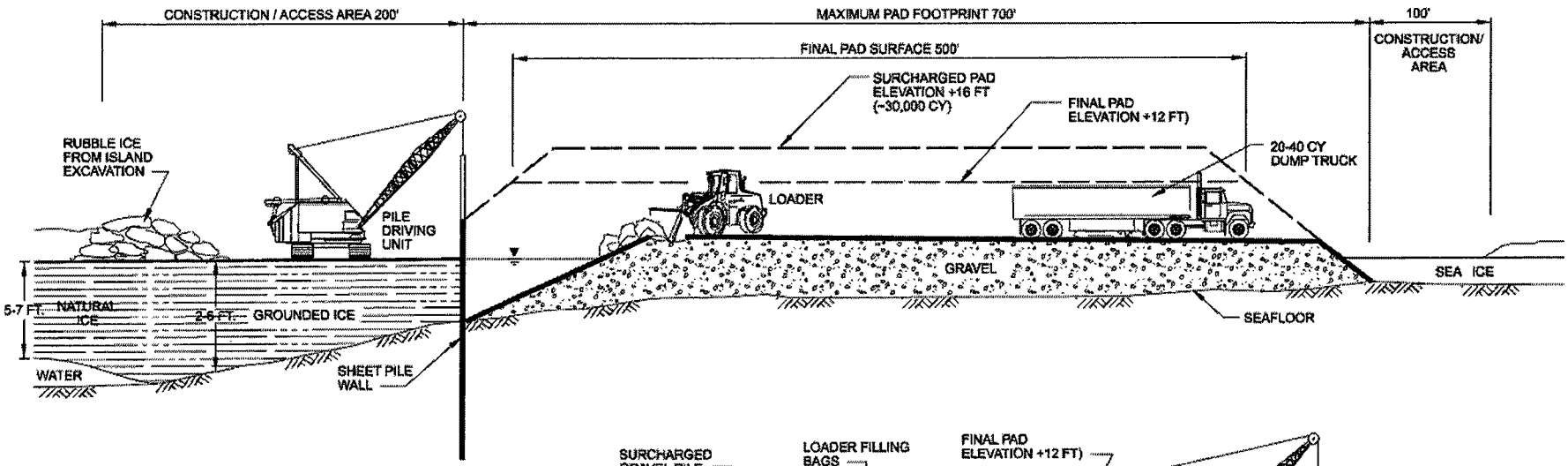
A. Gravel Placement



B. Installing Shore Protection

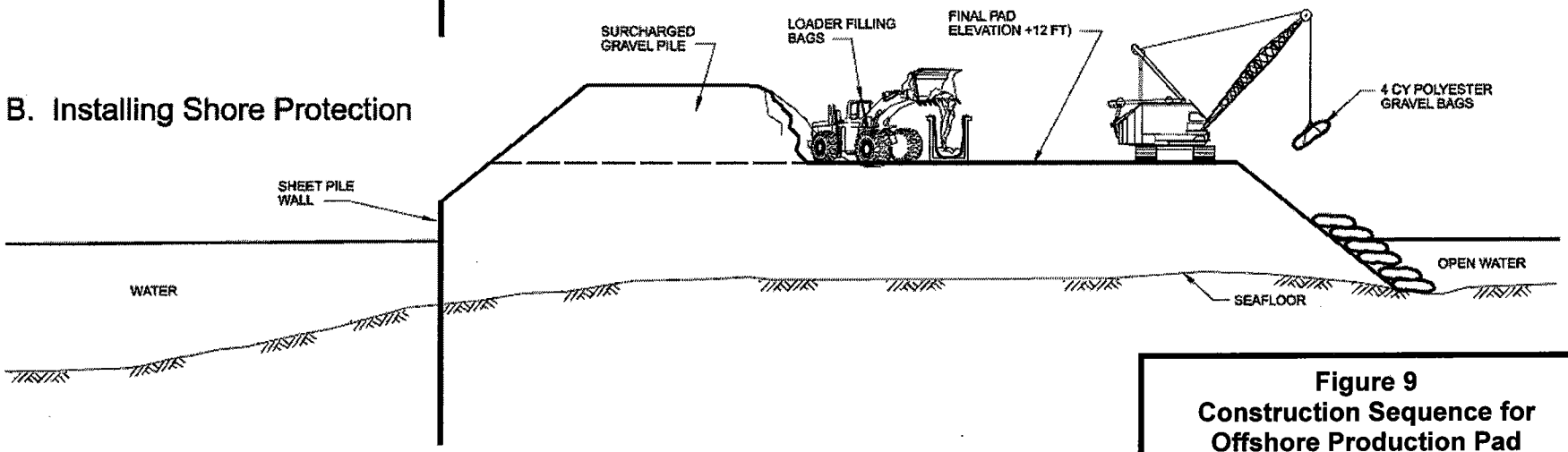


Figure 9
Construction Sequence for Offshore Production Pad

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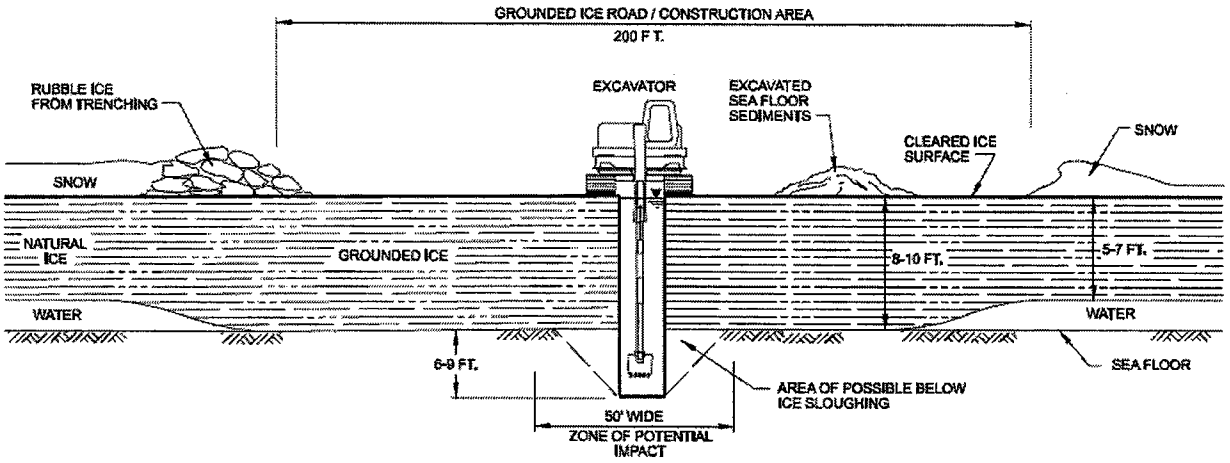
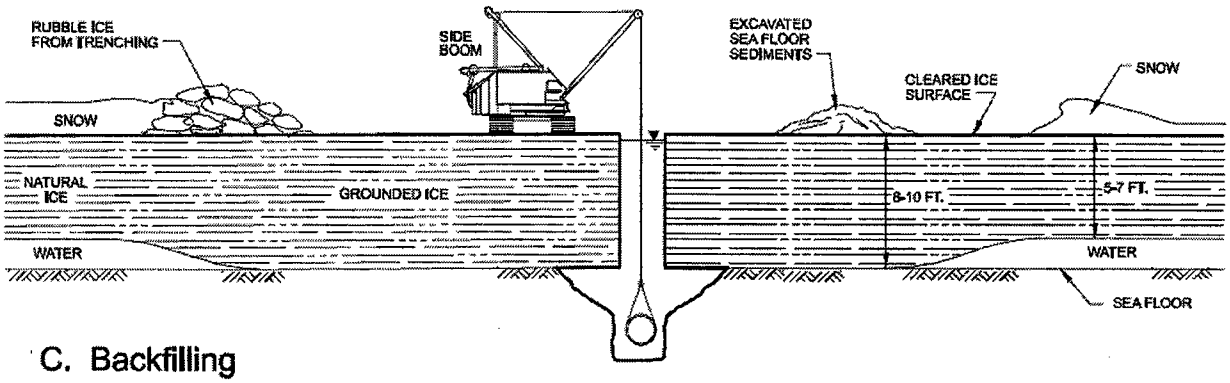
A. Pipeline Trenching



B. Pipe Bundle Placement



C. Backfilling

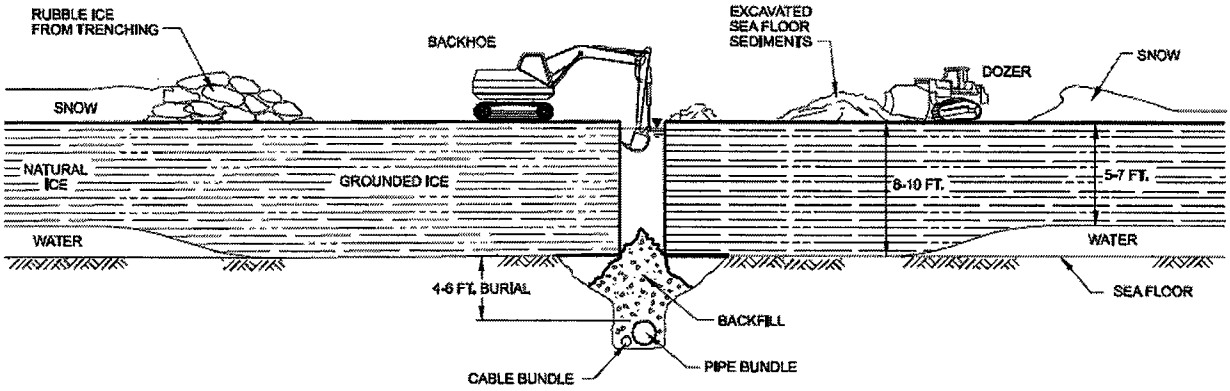


Figure 10
Sequence of Offshore Flowline Construction

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Simpson Lagoon, Alaska

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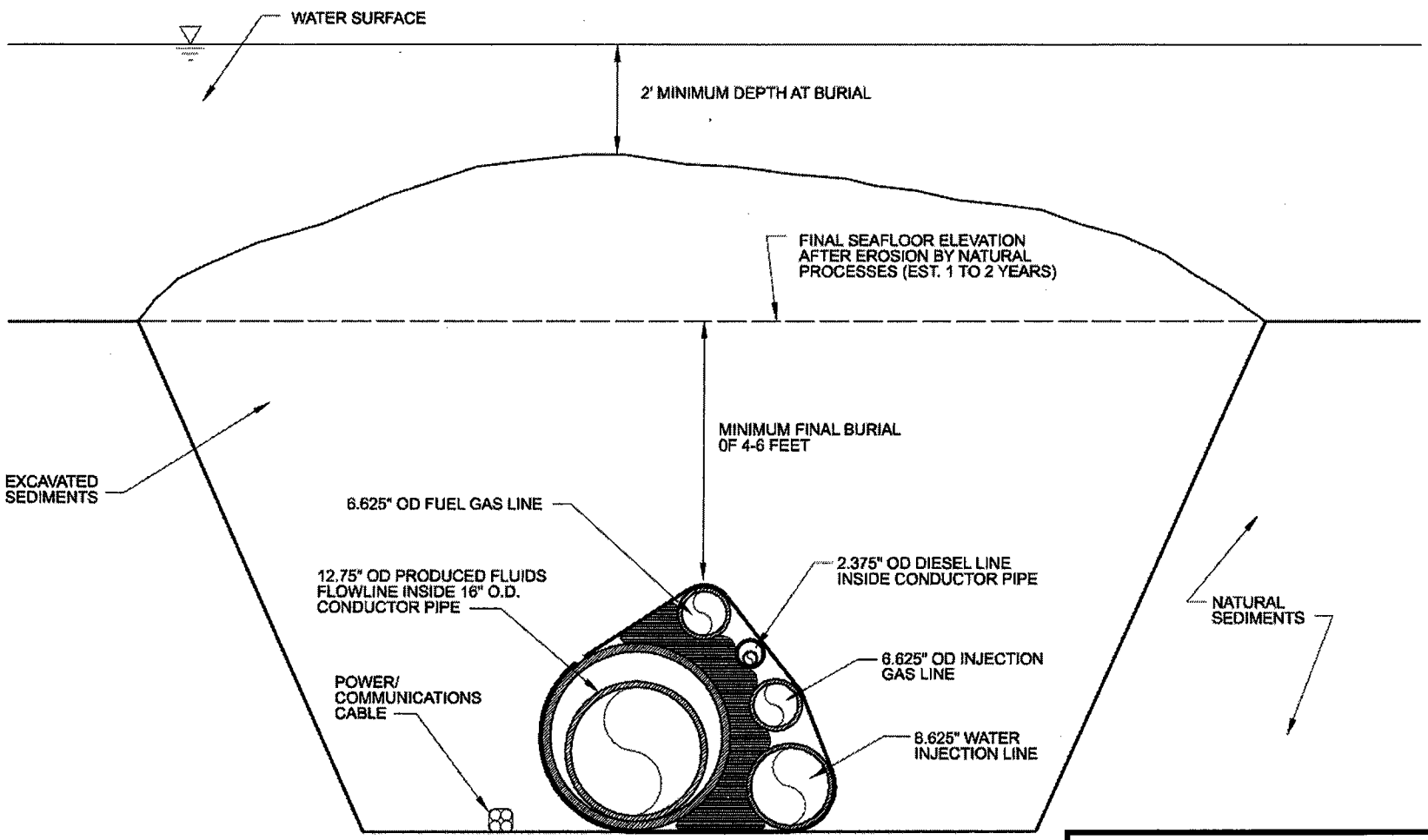

Figure 11
Schematic of Buried Offshore Flowline Bundle

Nikaitchuq Development
Simpson Lagoon, Alaska

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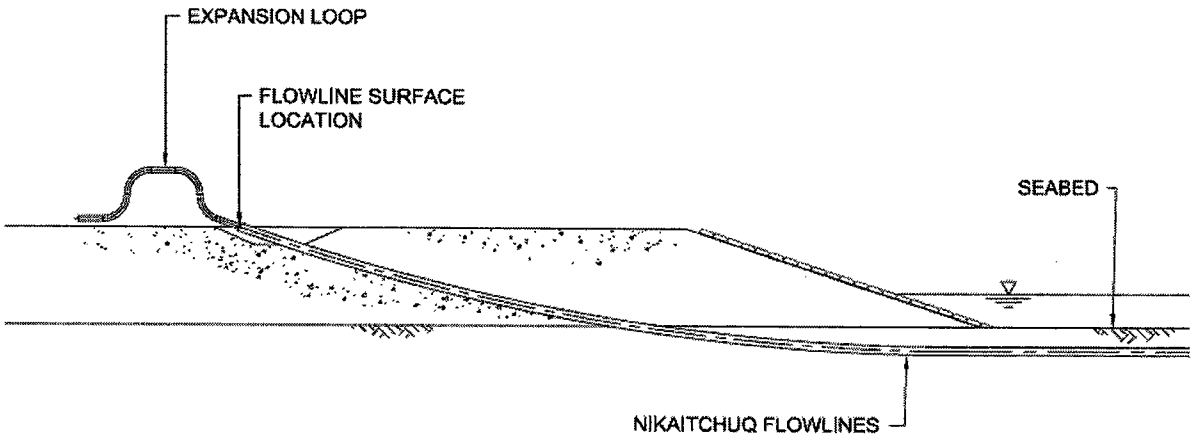
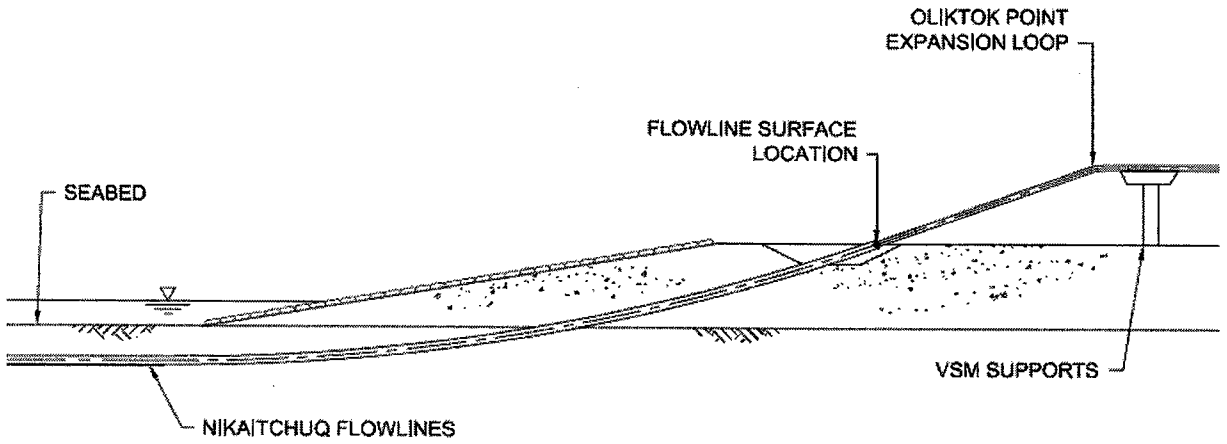


A. Transition Details at Offshore Production Pad



B. Transition Details at Oliktok Point Production Pad

Figure 12
Schematic of Transitions for Flowline Bundle

Nikaitchuq Development
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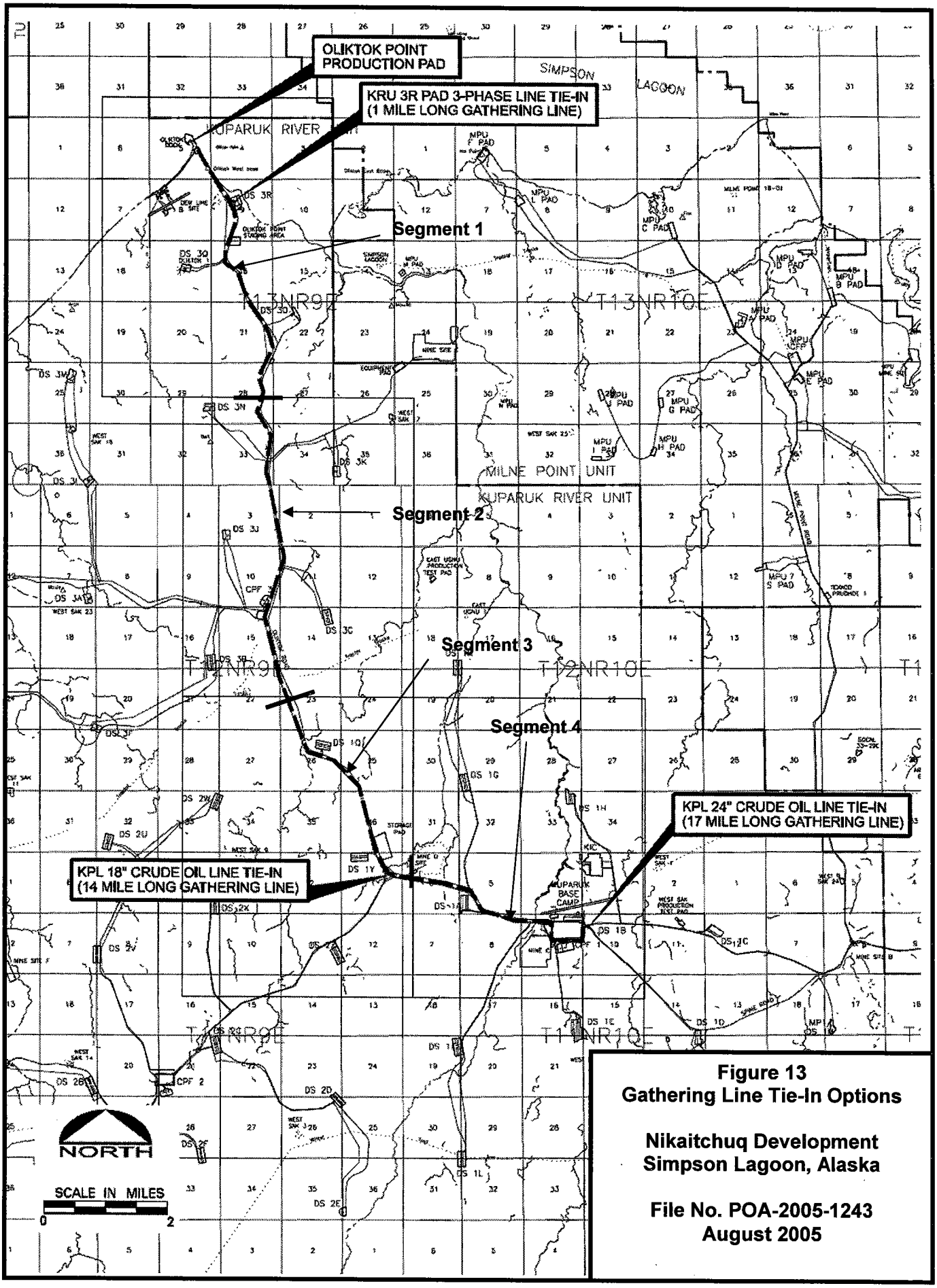

Figure 13
Gathering Line Tie-In Options

Nikaitchuq Development
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Figure 14
Gathering Line Tie-In Options
Segment 1

Nikaitchuq Development
Simpson Lagoon, Alaska

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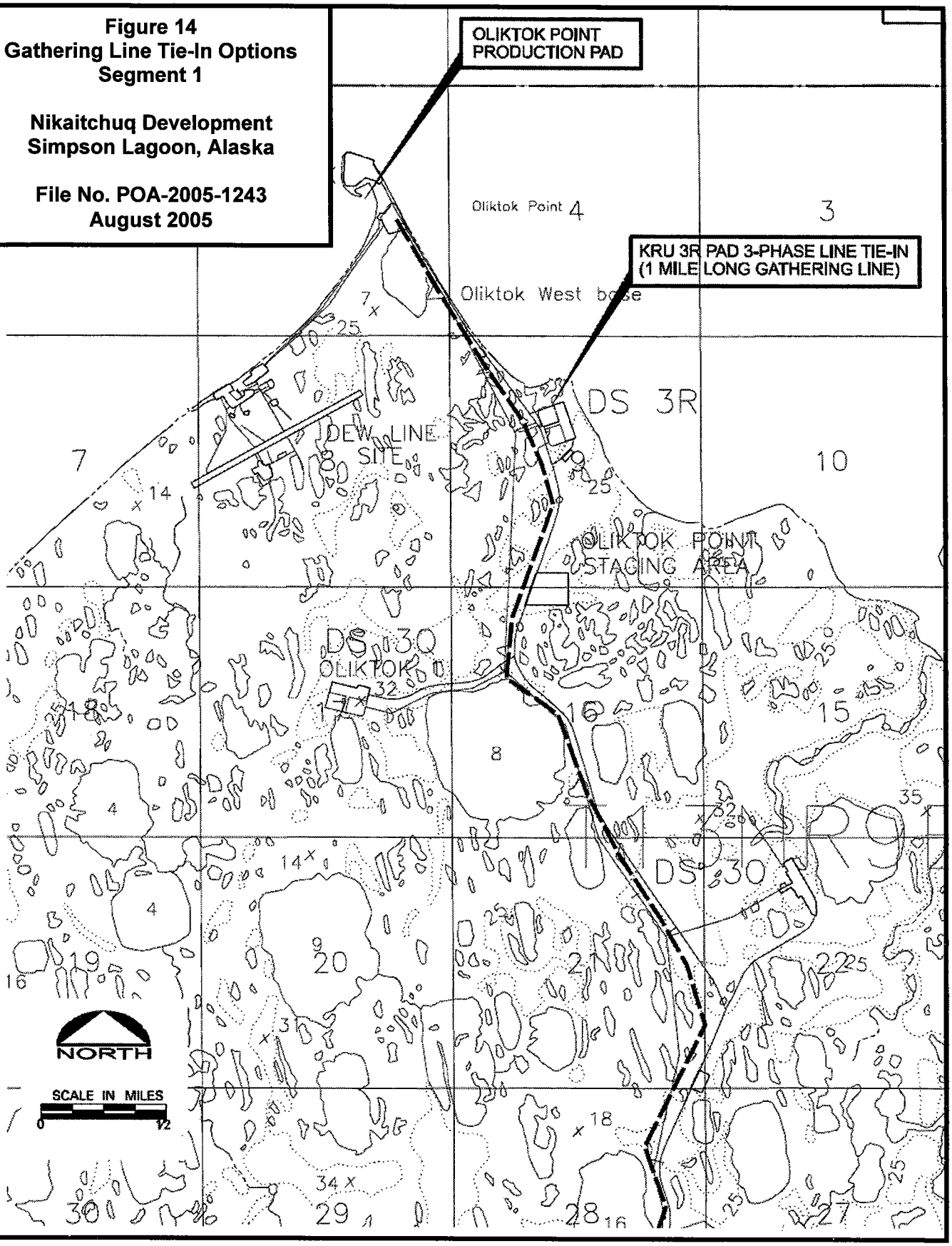

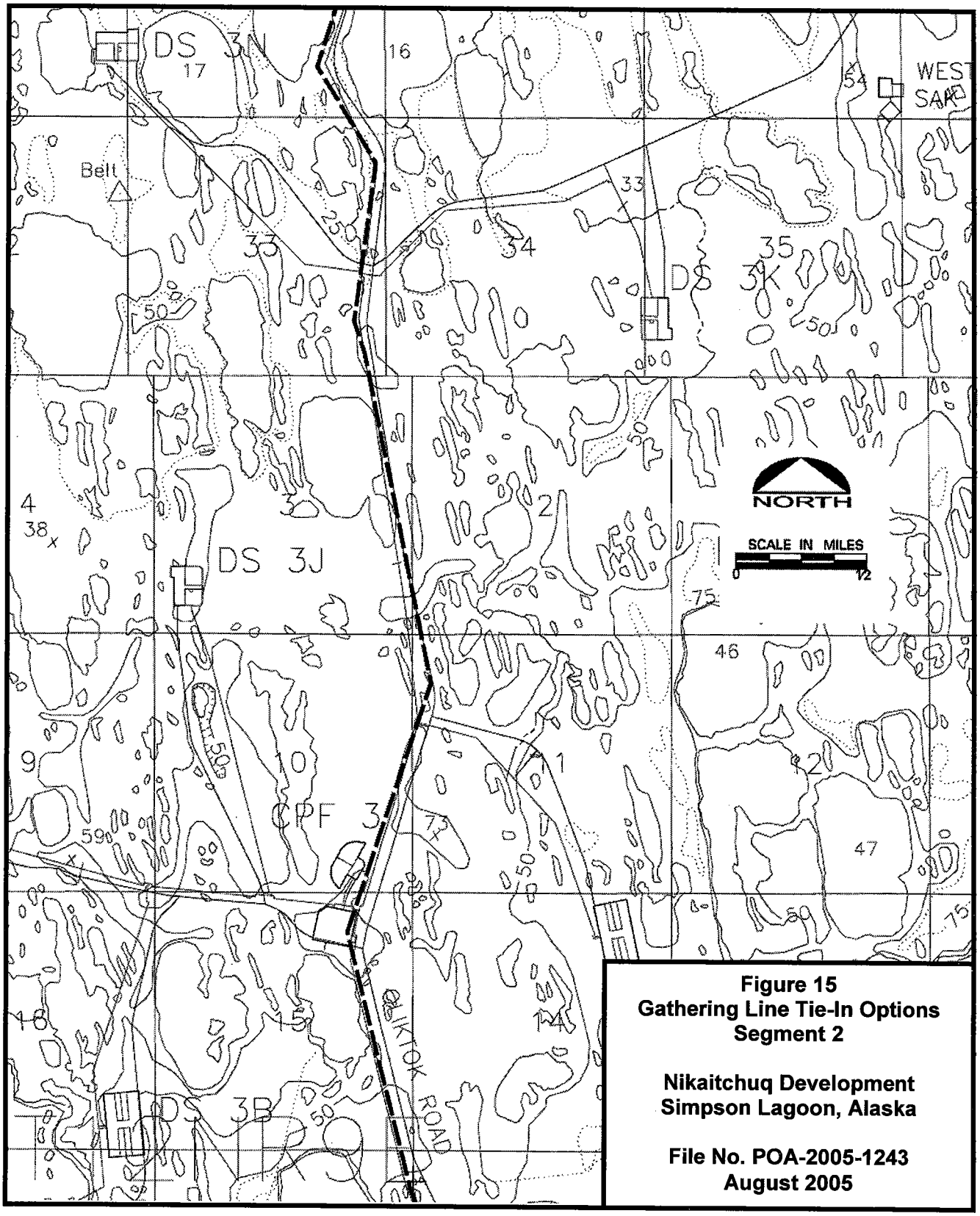

Figure 15
Gathering Line Tie-In Options
Segment 2

Nikaitchuq Development
Simpson Lagoon, Alaska

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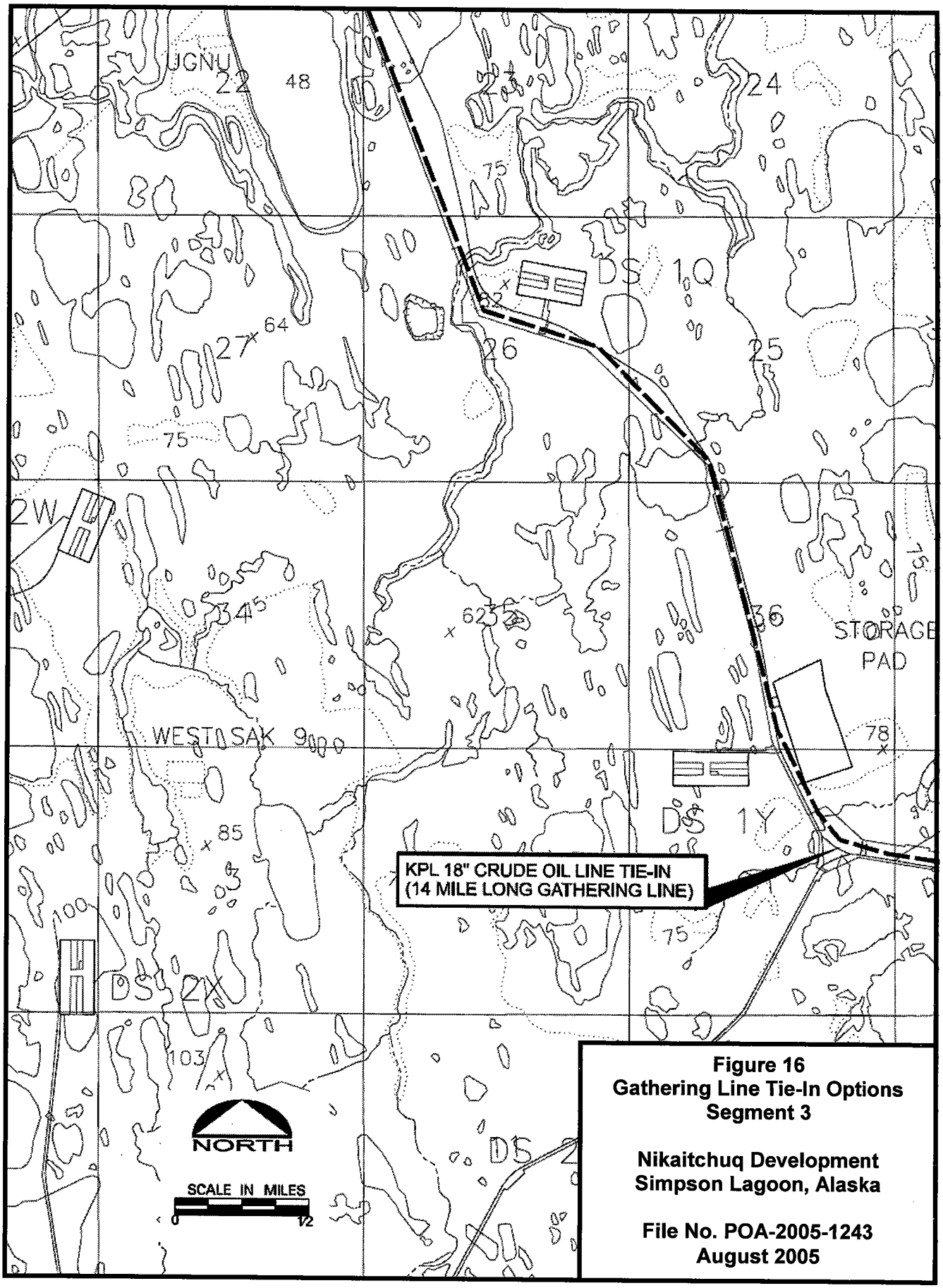

Figure 16
Gathering Line Tie-In Options
Segment 3

Nikaitchuq Development
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Figure 17
Gathering Line Tie-In Options
Segment 4

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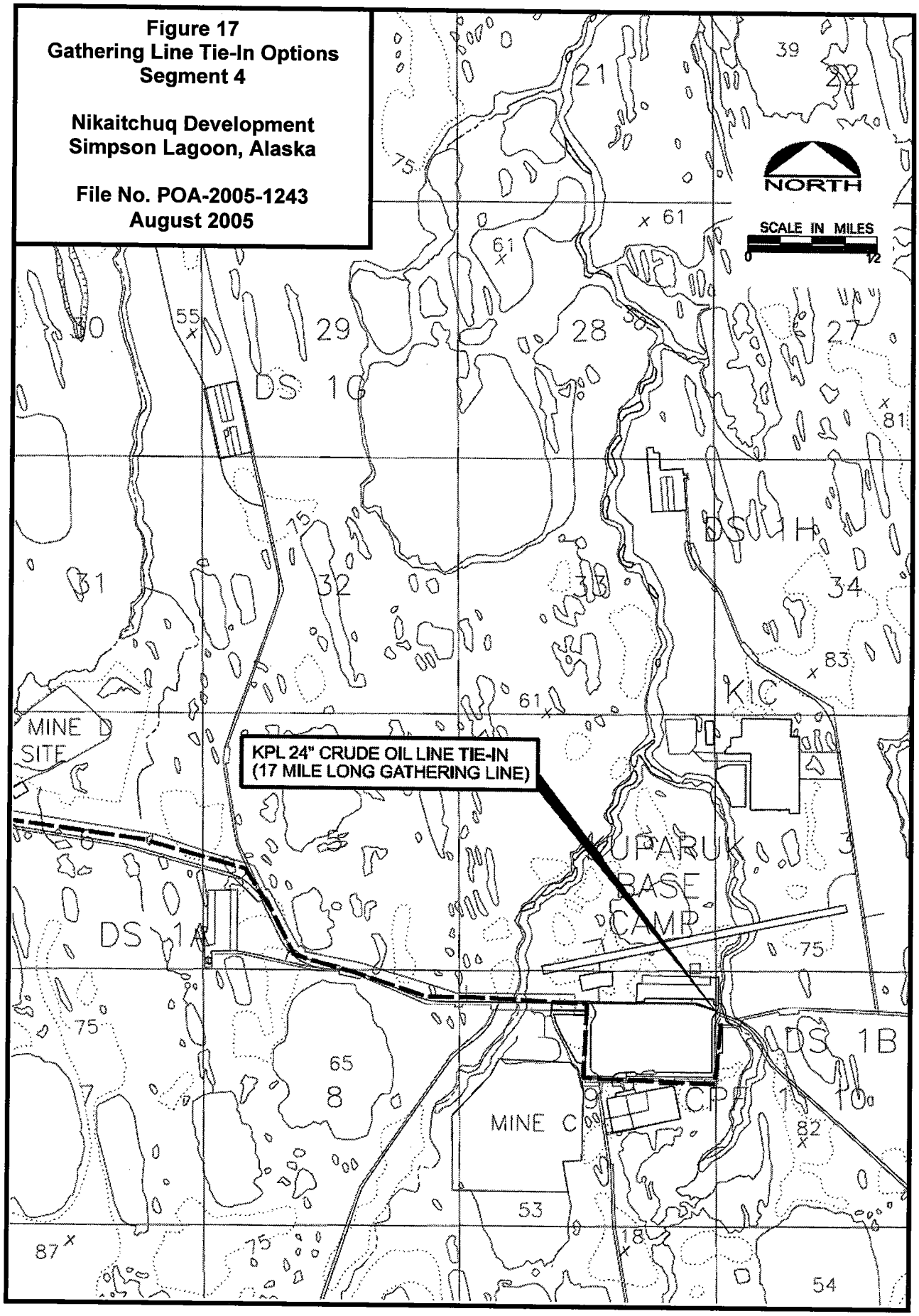

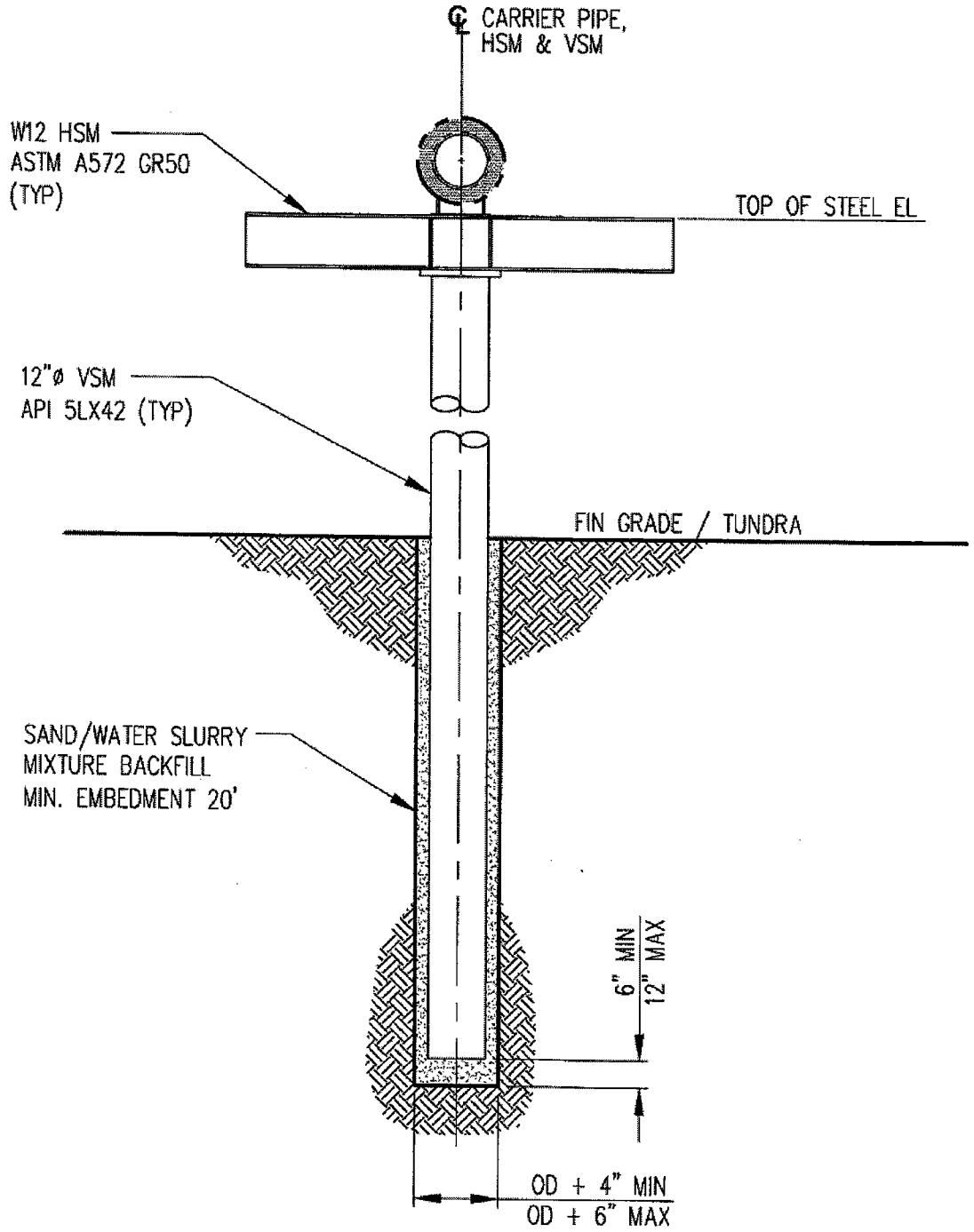

Figure 18
Schematic of Typical New VSM Installation

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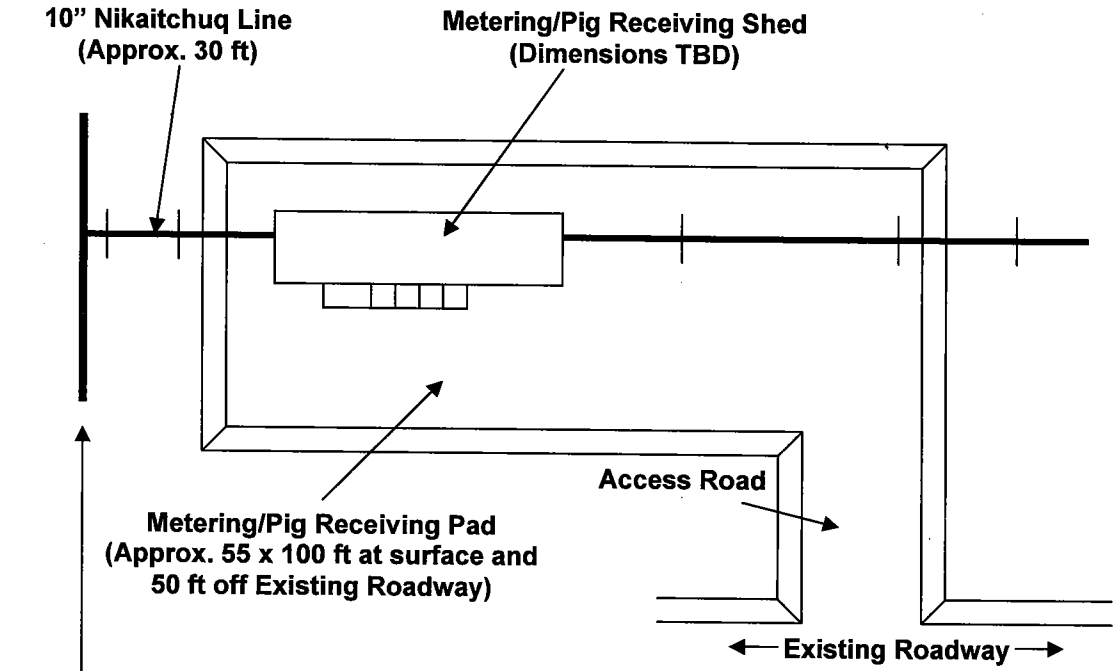
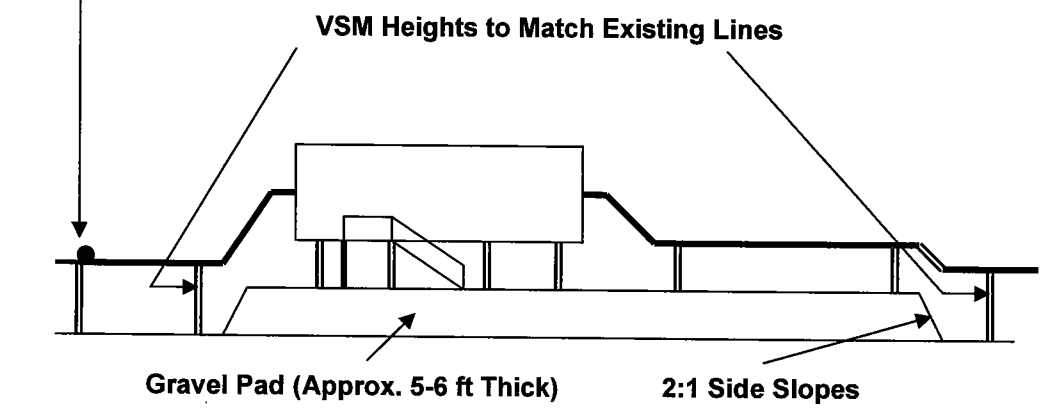


Plan View



Profile View

Note: Metering/Pig Receiving Pad to be located at the southern end of the gathering line where it ties into the Kuparuk Pipe Line. A tie-in for the 14-mile gathering line option (most likely case) is shown above.

Figure 19
Schematic of the Metering/Pig Receiving Pad

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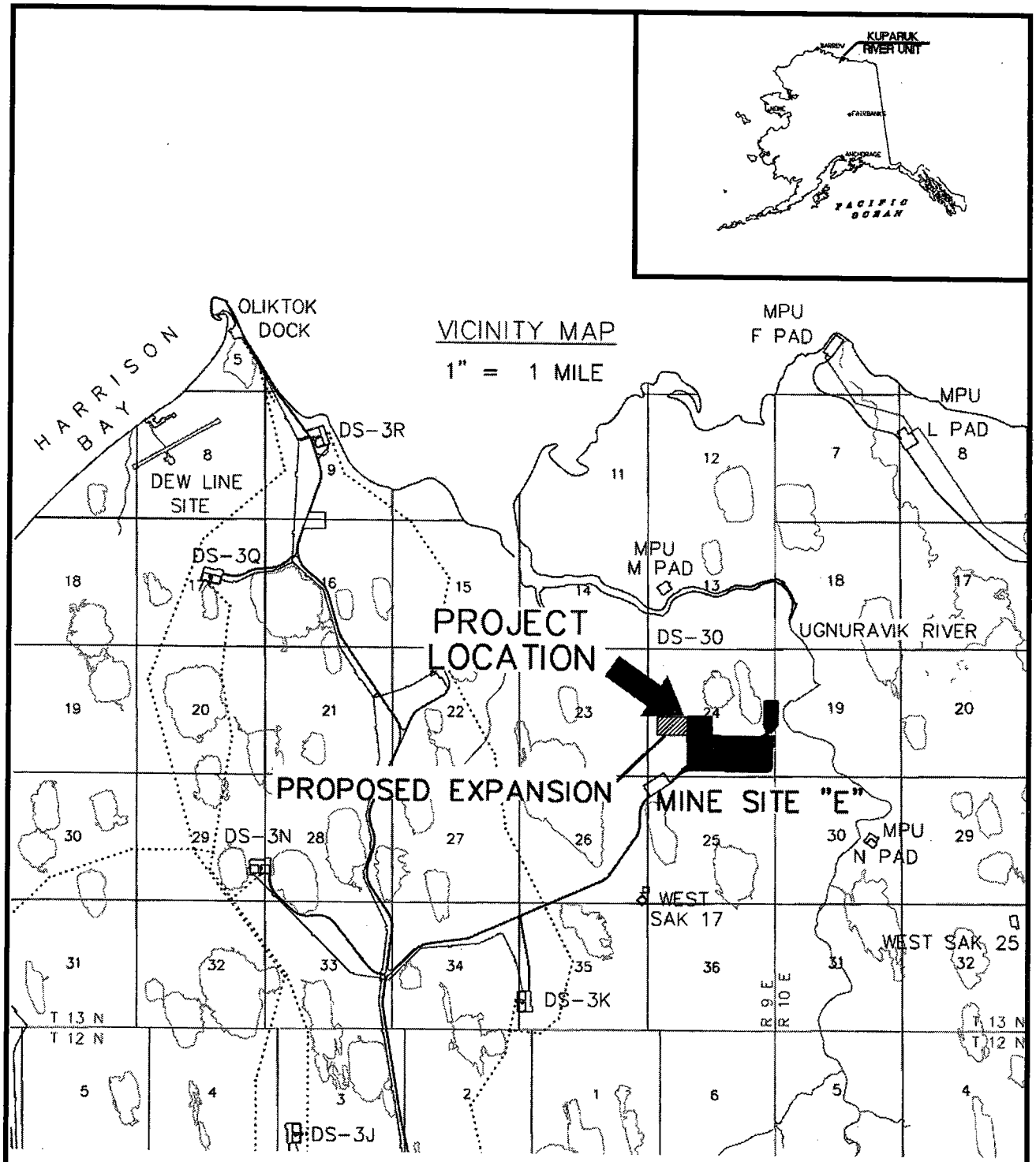

Figure 20
Vicinity Map for Mine Site E Expansion

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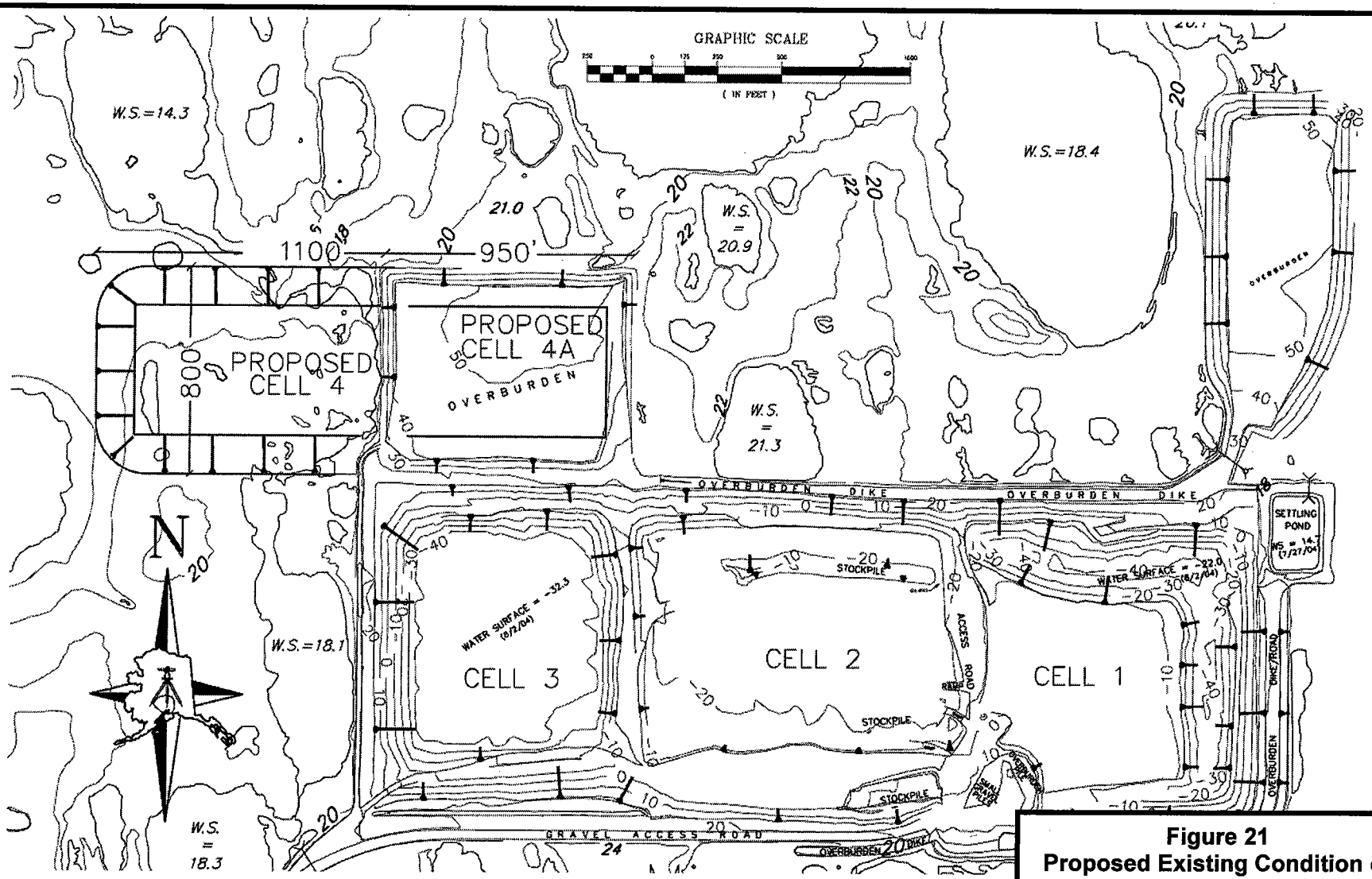
Base Map: Lounsbury & Associates, Inc.



Source: Lounsbury & Associates, Inc.

Figure 21
Proposed Existing Condition of Mine Site E

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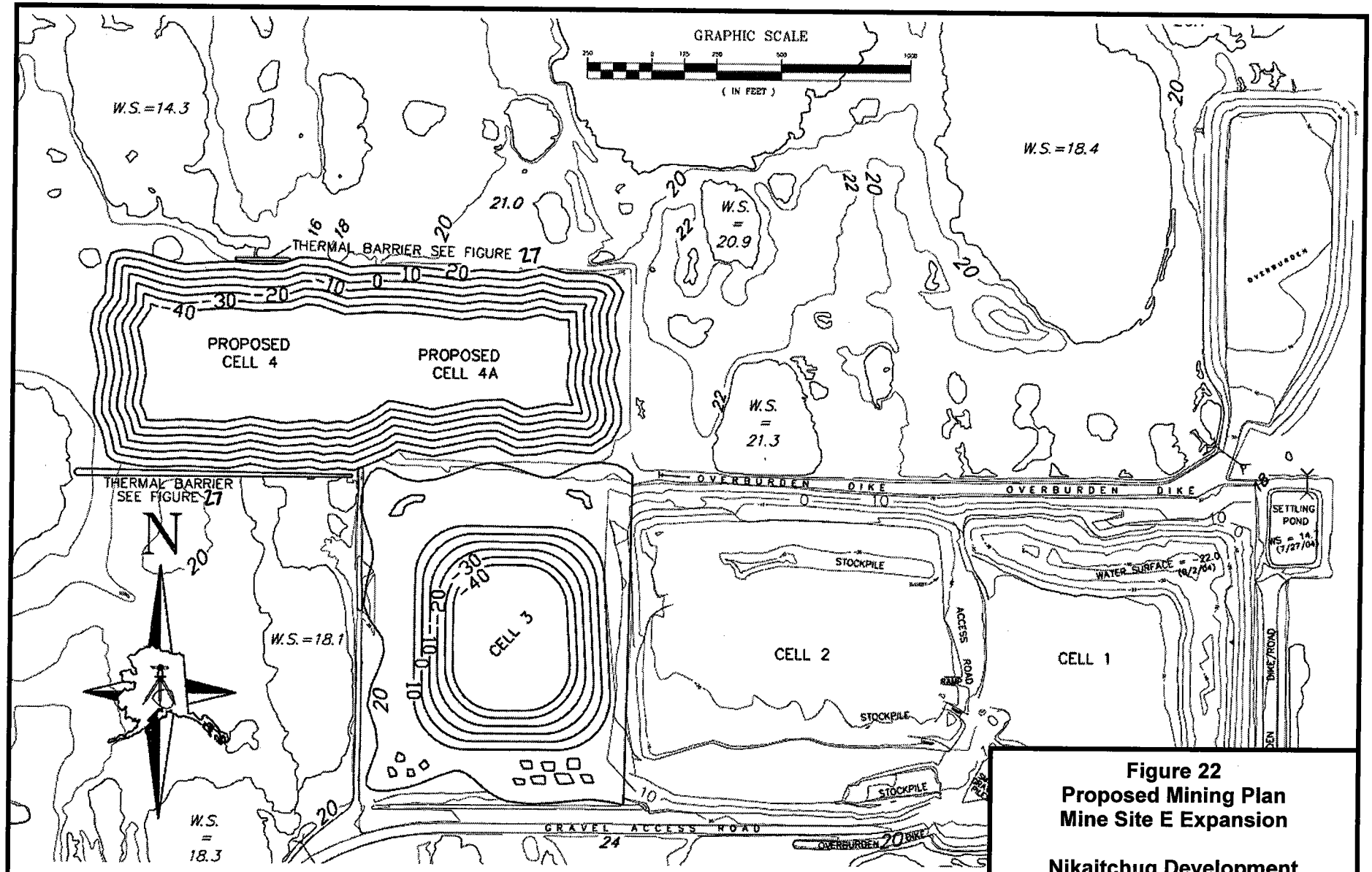

Source: Lounsbury & Associates, Inc.

Figure 22
Proposed Mining Plan
Mine Site E Expansion

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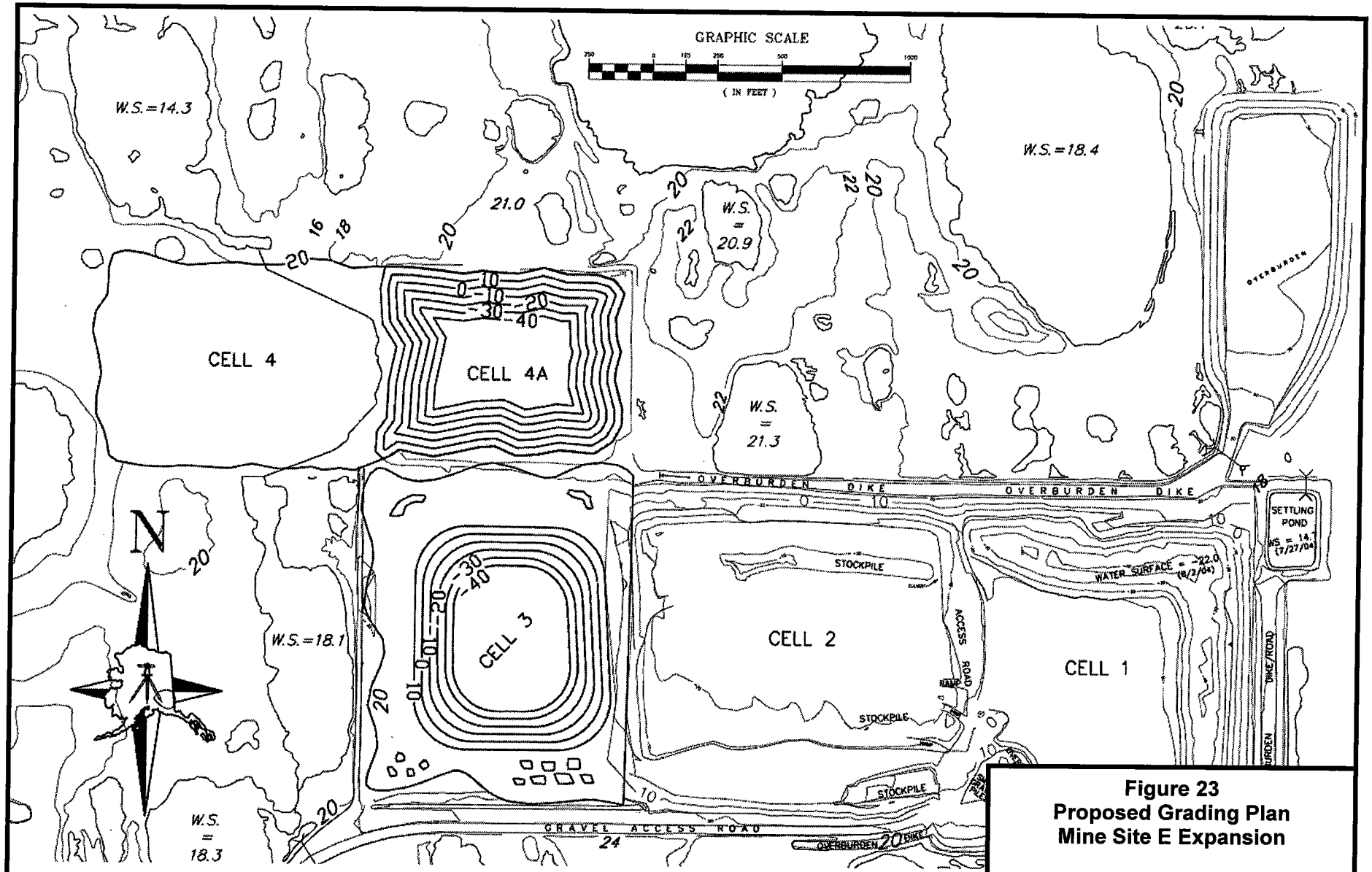

Source: Lounsbury & Associates, Inc.

Figure 23
Proposed Grading Plan
Mine Site E Expansion

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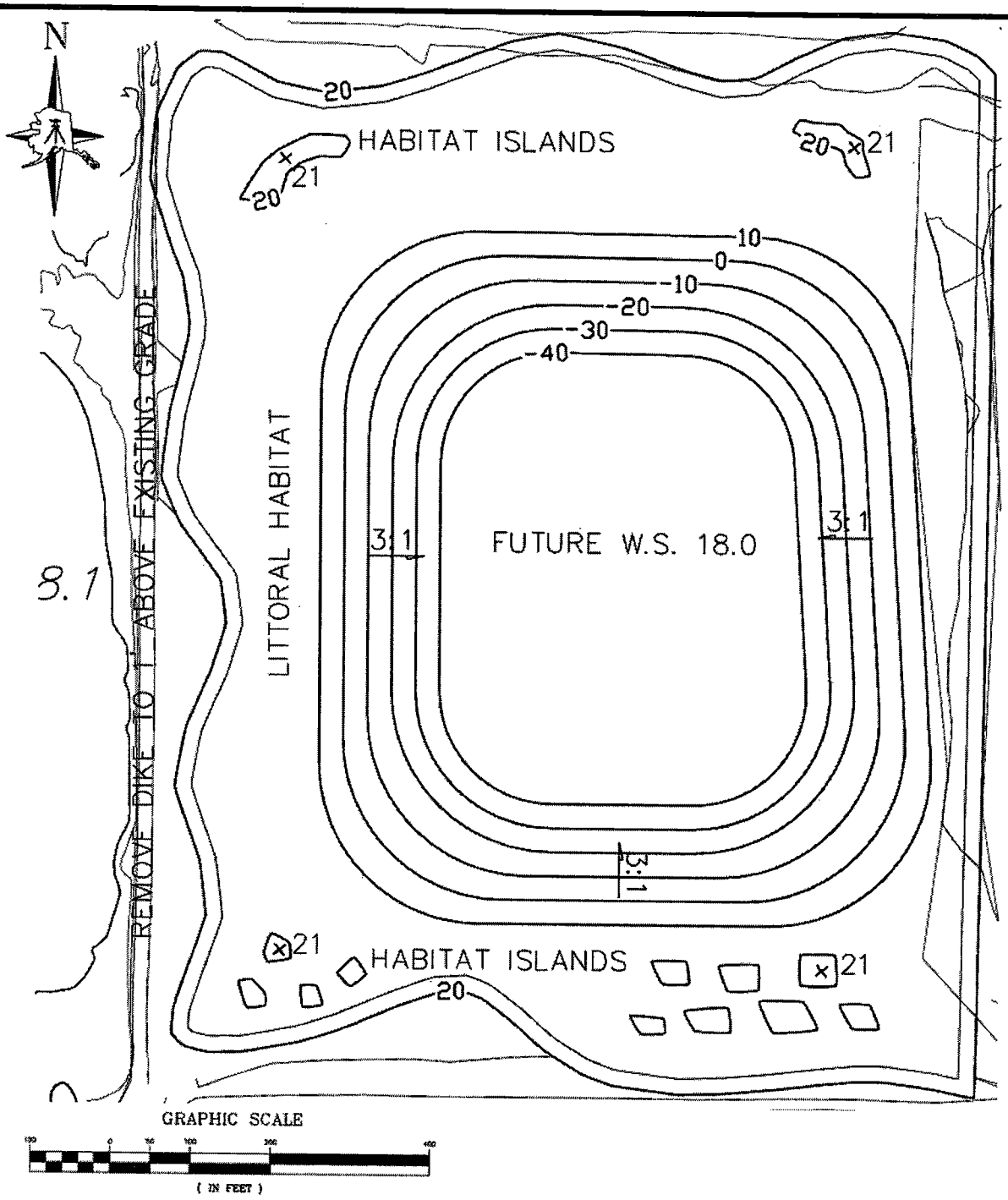

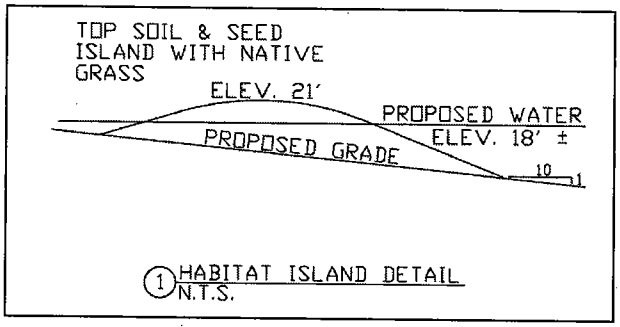

Source: Lounsbury & Associates, Inc.

Figure 24
Proposed Grading Plan for
Mine Site E Cell 3

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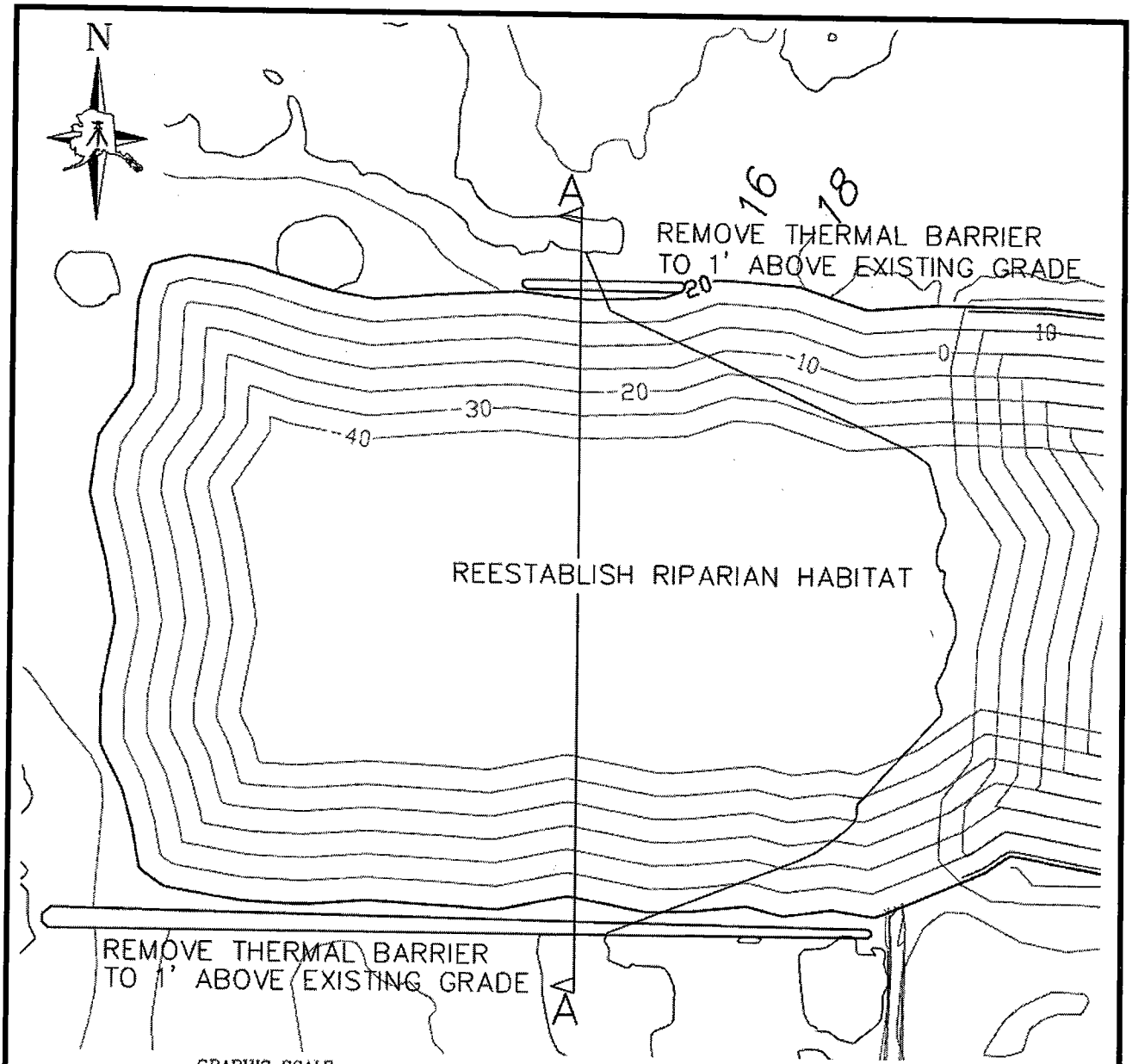

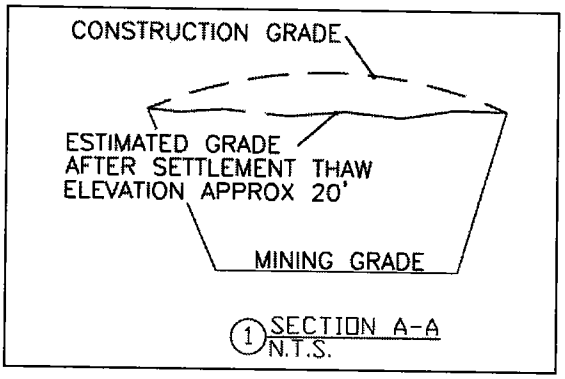

Source: Lounsbury & Associates, Inc.

Figure 25
Proposed Grading Plan for
Mine Site E Cell 4

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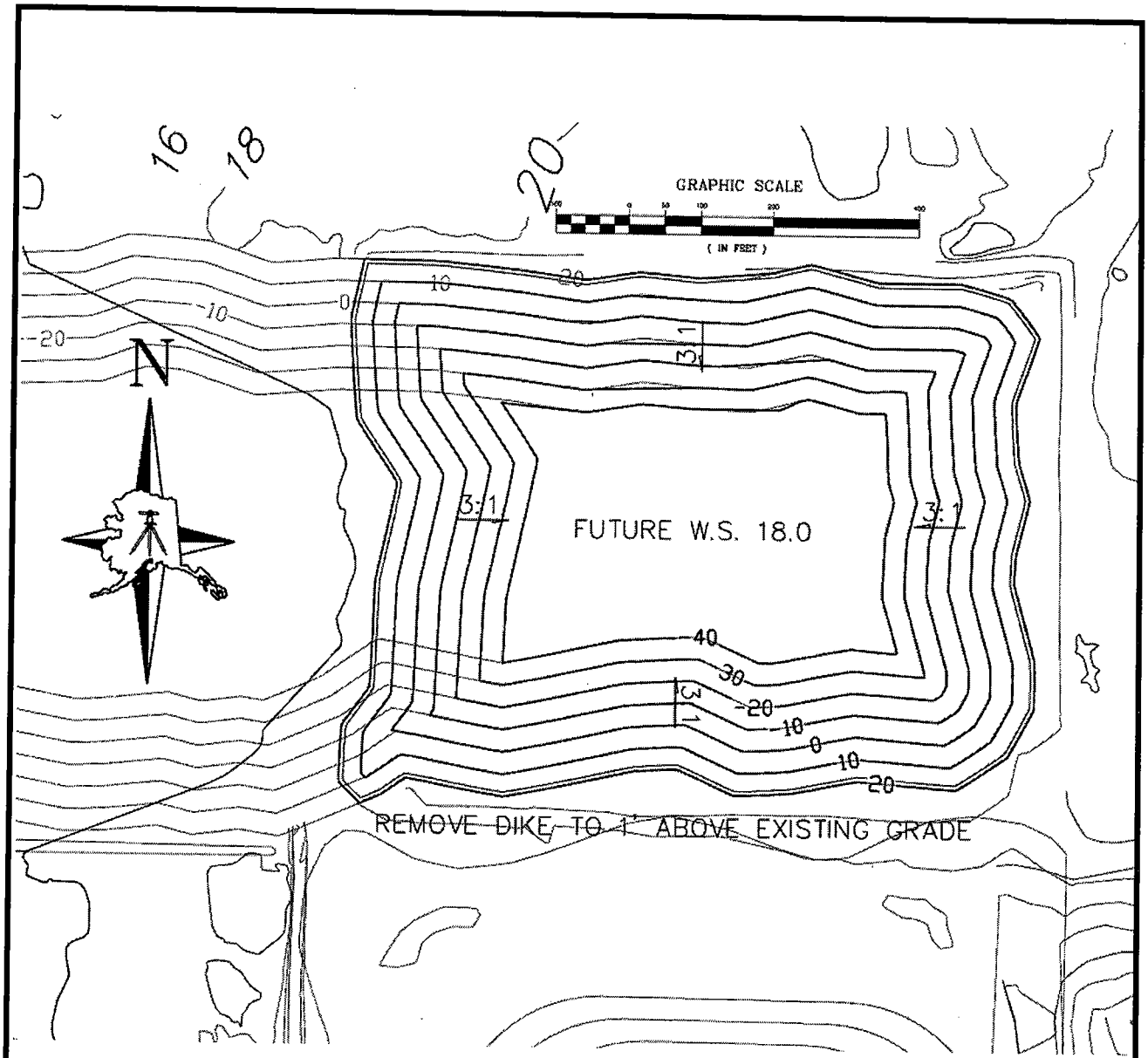

Figure 26
Proposed Grading Plan for
Mine Site E Cell 4A

Nikaitchuq Development
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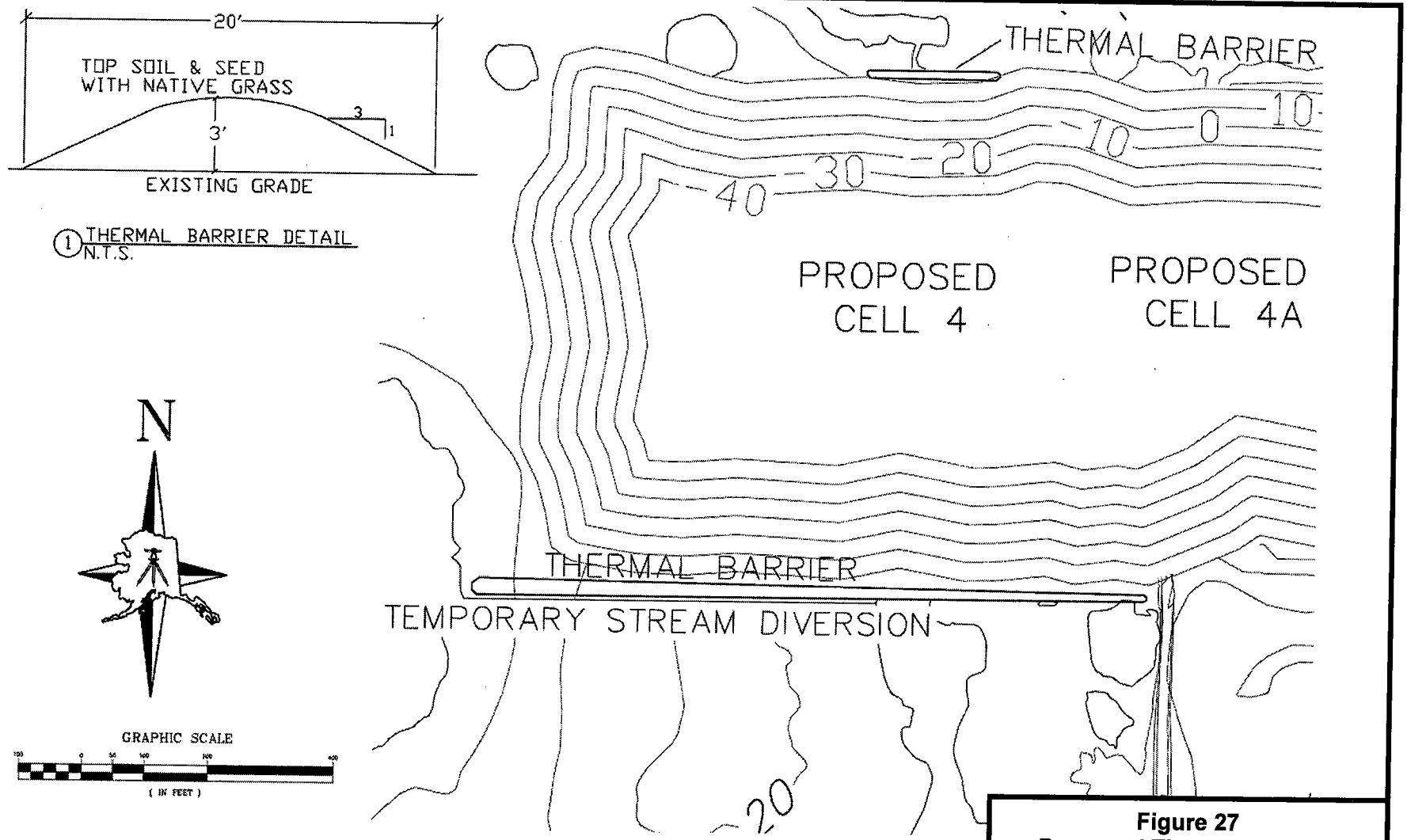
Source: Lounsbury & Associates, Inc.



Source: Lounsbury & Associates, Inc.

Figure 27
Proposed Thermal Barriers
Mine Site E Expansion

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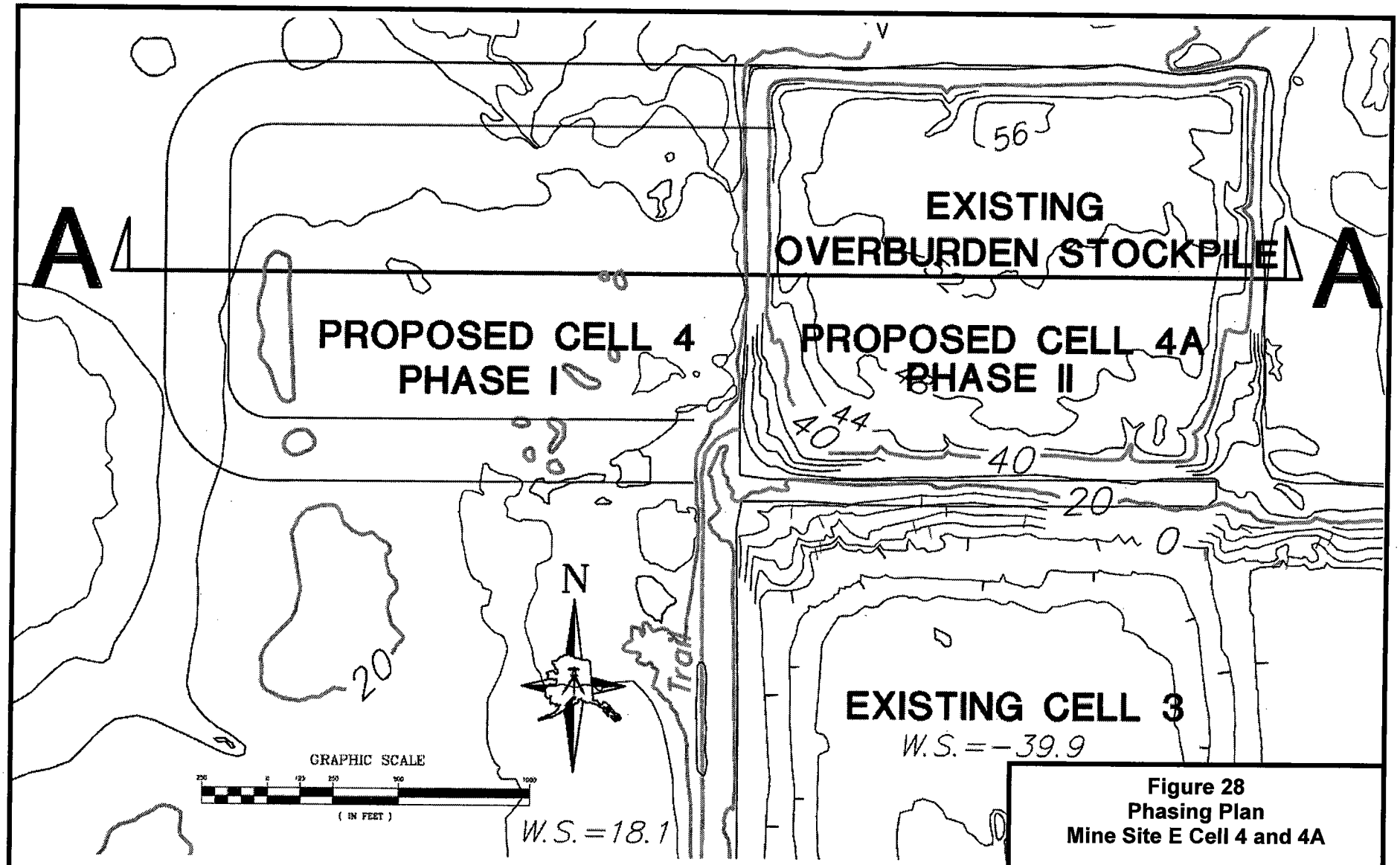

Source: Lounsbury & Associates, Inc.

Figure 28
Phasing Plan
Mine Site E Cell 4 and 4A

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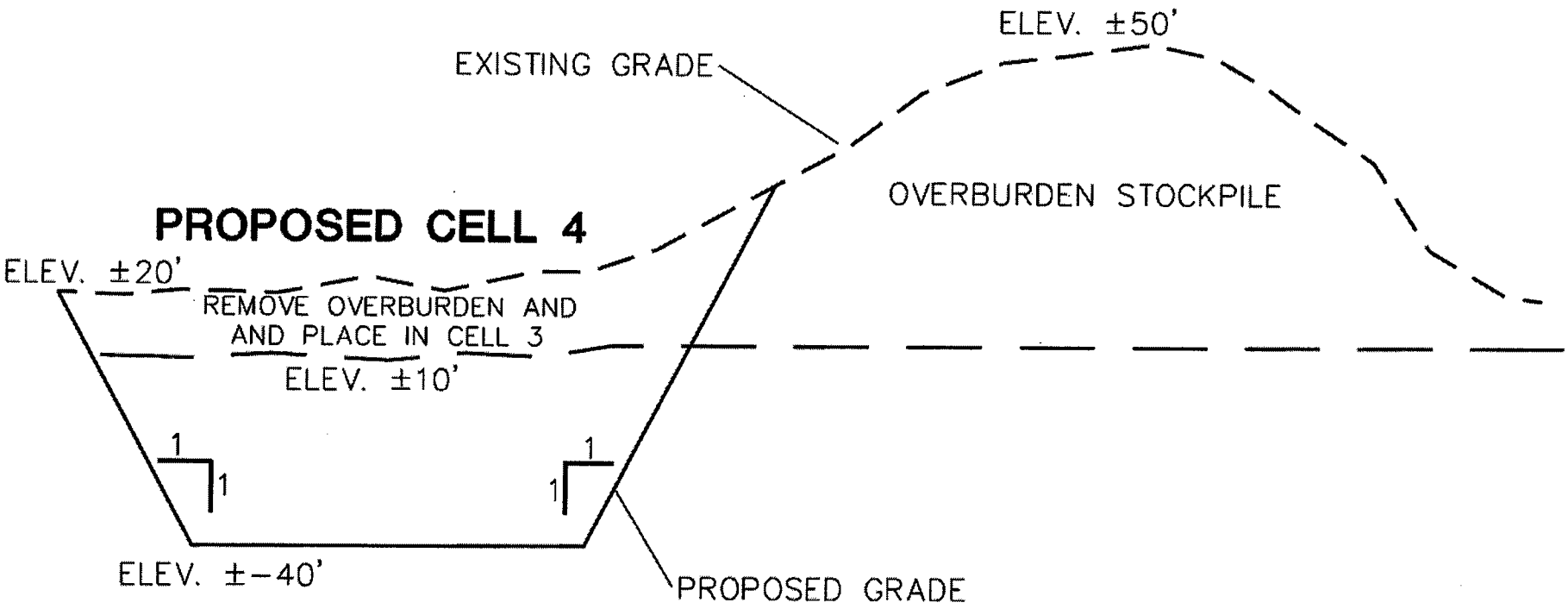

NOT TO SCALE

Source: Lounsbury & Associates, Inc.

Figure 29
Phasing Plan Profile-Phase I
Mine Site E Cell 4 and 4A

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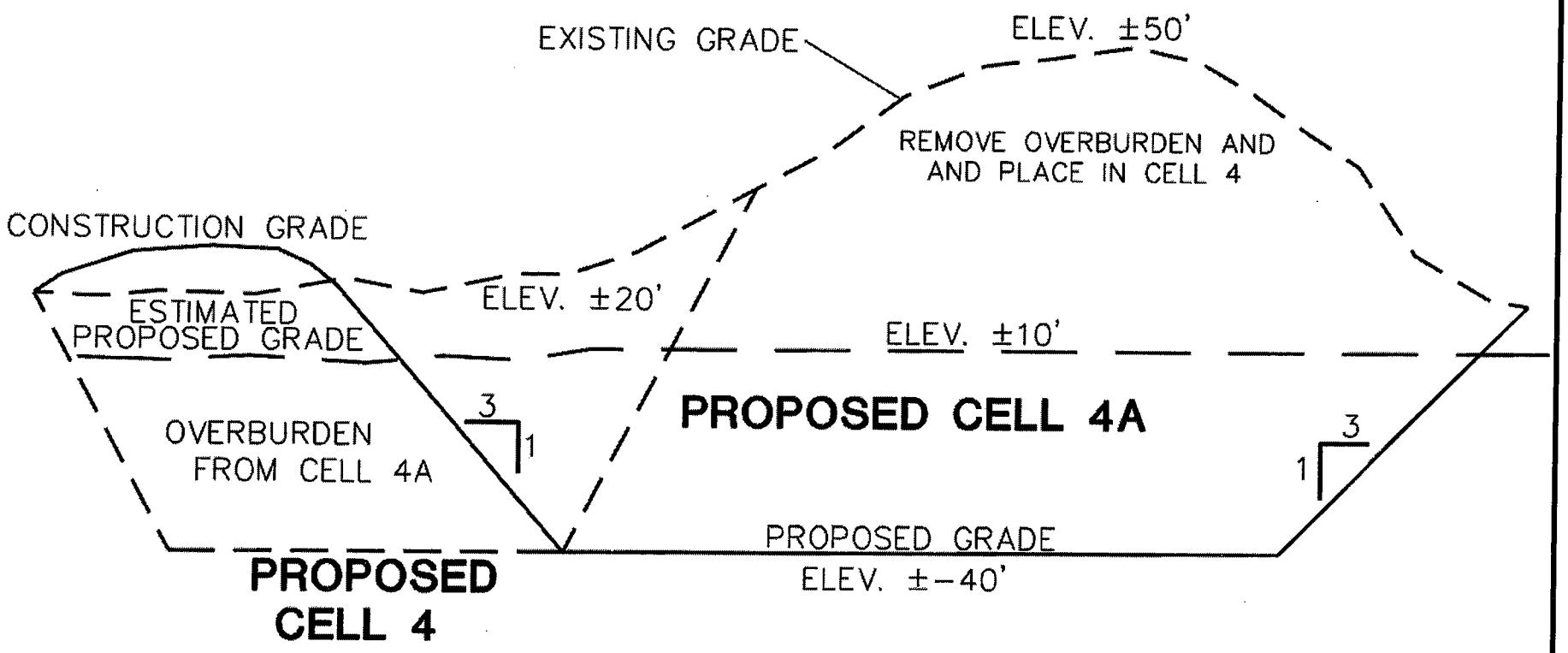

NOT TO SCALE

Source: Lounsbury & Associates, Inc.

Figure 30
Phasing Plan Profile-Phase II
Mine Site E Cell 4 and 4A

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Simpson Lagoon, Alaska

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